

These audited financial statements of Premium Nickel Resources Ltd. (the "AFS") are also included in the Form 10-K for the period ended December 31, 2023 filed on SEDAR+ on July 2, 2024 in its entirety ("Form 10-K"). Capitalized terms used but not otherwise defined in the AFS have the meaning ascribed to such terms in the Form 10-K.



Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The audited financial statements of Premium Nickel Resources Ltd. as of December 31, 2023 and 2022 are appended to this Report beginning on page F-1.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

In accordance with generally accepted accounting principles in the United States and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission and stated in Canadian dollars, unless otherwise indicated

INDEX

[Management's Responsibility for Financial Reporting](#)

[Independent Auditor's Report](#)

Consolidated Financial Statements

- [Consolidated Balance Sheets](#)
- [Consolidated Statements of Operations and Comprehensive Loss](#)
- [Consolidated Statements of Changes in Shareholders' Equity](#)
- [Consolidated Statements of Cash Flows](#)
- [Notes to the Consolidated Financial Statements](#)



MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements, and the notes thereto, of Premium Nickel Resources Ltd., formerly North American Nickel Inc., and its subsidiaries have been prepared by management in accordance with International Financial Reporting standards. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management, in discharging these responsibilities, maintains a system of internal controls designed to provide reasonable assurance that its assets are safeguarded, only valid and authorized transactions are executed and accurate, timely and comprehensive financial information is prepared. However, any system of internal controls over financial reporting, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all misstatements.

The Board of Directors, principally through the Audit Committee, is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities.

The consolidated financial statements have been audited by MNP LLP, Chartered Professional Accountants, Licensed Public Accountants, who were retained by the Company to audit the consolidated financial statements and provide an independent auditor's report thereon. The auditor's report outlines the scope of their examination and their opinion on the consolidated financial statements. MNP LLP has full and free access to the Board of Directors.

/s/ Keith Morrison
Keith Morrison
Chief Executive Officer

/s/ Peter Rawlins
Peter Rawlins
Chief Financial Officer

June 28, 2024



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Shareholders of Premium Nickel Resources Ltd.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Premium Nickel Resources Ltd. and its subsidiaries (the “Company”) as at December 31, 2023 and 2022, and the related consolidated statements of operations and comprehensive loss, changes in shareholders’ equity, and cash flows for each of the years in the two-year period ended December 31, 2023, and the related notes (collectively referred to as the “consolidated financial statements”).

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and 2022, and the results of its consolidated operations and its consolidated cash flows for each of the years in the two-year period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Material Uncertainty Related to Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has incurred recurring net losses and has no source of operating cash flows, which raises substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter is also described in the “Critical Audit Matters” section of our report.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

MNP LLP

Suite 800, 1600 Carling Avenue, Ottawa ON, K1Z 1G3

T: 613.691.4200 F: 613.726.9009

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Financing – Valuation of Complex Financial Instruments

Critical Audit Matter Description

As described in Note 10, 12 and 13 to the consolidated financial statements, the Company closed a financing transaction on June 28, 2023, for aggregate proceeds of approximately \$33,999,200. The financing transaction consists of three separate transactions issued concurrently, which comprised of an equity offering of units for \$16,249,200, a three year term loan of \$15,000,000 and an option payment of \$2,750,000 to acquire a 0.5% net smelter returns royalty on the Company's Selebi Mines and Selkirk Mine in certain circumstances upon payment of further consideration. The Company exercised significant judgment when estimating the fair value of the individual transactions.

On December 14, 2023, the Company amended the term loan by \$5,882,353 to \$20,882,353. The modification has been accounted for as a non-substantial modification of the existing term loan.

Audit procedures performed to evaluate the reasonableness of the estimates and assumptions used required a high degree of auditor judgment and an increased extent of audit effort, including the involvement of valuations specialists.

Audit Response

We responded to this matter by performing procedures in relation to assessing the accounting for the individual transactions. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained and reviewed agreements entered into by the Company.
- Discussed key terms of the agreements with the Company's legal counsel.
- Confirmed key terms of the agreements with the appropriate parties.
- Obtained management's assessment of accounting for each of the individual transactions and obtained an understanding of the valuation methodology and inputs used by management and evaluated management's key assumptions.
- As part of those procedures, we assessed specific inputs including the Company's discount rates and its share price volatility.

Going Concern

Critical Audit Matter Description

As described in Note 1, the Company, being in the exploration stage, is subject to risks and challenges similar to companies in a comparable stage. These risks include the challenges of securing adequate capital for exploration and operational risks inherent in the mining industry, and global economic and metal price volatility and there is no assurance management will be successful in its endeavors. The ability of the Company to continue operations as a going concern is ultimately dependent upon achieving profitable operations and its ability to obtain adequate financing. To date, the Company has not generated profitable operations from its resource activities and will need to invest additional funds in carrying out its planned exploration and operational activities. Management has prepared future cash flow forecasts, which involves judgement and estimation of key variables, such as planned financing and capital and operational



expenditures. Future economic conditions and effects of key events subsequent to the year end, such as debt and equity financing, also impacted management's judgements and estimates. We identified the Company's ability to continue as a going concern as a critical audit matter because auditing the Company's going concern assessment is complex and involves a high degree of auditor judgment to assess the reasonableness of the cash flow forecasts, planned refinancing actions and other assumptions used in the Company's going concern analysis. The Company's ability to execute the planned refinancing actions are especially judgmental given that the global financial markets and economic conditions have been, volatile. This matter is also described in the "Material Uncertainty Related to Going Concern" section of our report.

Audit Response

We responded to this matter by performing procedures over management's assessment of the Company's ability to continue as a going concern. Our audit work in relation to this included, but was not restricted to, the following:

- We evaluated the cash flow forecasts prepared by management and evaluated the integrity and arithmetical accuracy of the model.
- We evaluated the key assumptions used in the model to estimate future cash flows for a reasonable period of time, not exceeding 12 months from the date of the consolidated statements of financial position, by comparing assumptions used by management against budgets, economic and industry indicators and publicly available information.
- We evaluated the key assumptions pertaining to estimated cash flows from operating activities and expected cash flows from financing activities, comparing these to available market data, underlying agreements, private placement raises and subsequent events thereafter.
- We assessed the adequacy of the going concern disclosures included in Note 1 of the consolidated financial statements and consider these to appropriately reflect the assessments that management has performed.

Amalgamation of North American Nickel Ltd. - Fair Value of Consideration Received and Net Assets Acquired

Critical Audit Matter Description

On April 26, 2022, Premium Nickel Resources Corp. ("PNRC") and North American Nickel Inc. ("NAN") entered into a definitive amalgamation agreement pursuant to which PNRC would go-public by way of a reverse takeover of NAN. Effective August 3, 2022, NAN completed the 100% acquisition of the outstanding shares of PNRC for consideration in the amount of \$39,142,383 and changed its name to Premium Nickel Resources Ltd. The transaction is accounted for as a capital transaction of PNRC and equivalent to the issuance of shares by PNRC for the net assets of NAN accompanied by a recapitalization, as NAN did not qualify as a business according to the definition in ASC 805 "Business Combinations" and met the definition of a non-operating public shell. As a result, the transaction has been accounted for as an asset acquisition with PNRC being identified as the acquirer and NAN being treated as the accounting acquiree. Refer to note 4 of the consolidated financial statements for further details.

This matter represented an area of significant risk of material misstatement, given the auditing of the asset acquisition is complex due to the subjective nature of estimating the fair values of net assets acquired as at the date of the acquisition and fair value of consideration received. Significant auditor attention is required to evaluate the results of our audit procedures and assess the Company's determination of the fair value of the net assets acquired and fair value of consideration received.

Audit Response

We responded to this matter by performing procedures in relation to fair value of net assets acquired and consideration received. Our audit work in relation to this included, but was not restricted to, the following:

- We obtained and evaluated management's assessment over appropriate accounting treatment of the transaction;



- We reviewed the amalgamation agreement to obtain an understanding of the key terms and conditions to identify the necessary accounting considerations and identification of assets and liabilities acquired;
- With the assistance of our valuation specialists, we evaluated whether the fair value of consideration has been appropriately valued;
- We performed audit procedures to validate the fair value of net assets acquired; and
- We assessed the adequacy of the Company's disclosure included in note 4, Amalgamation, of the accompanying consolidated financial statements in relation to this matter.

We have served as the Company's auditor since 2022.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Canada

June 28, 2024
PCAOB ID: 1930

MNP
LLP



principled mining

Consolidated Balance Sheets

(Expressed in Canadian dollars)

	Notes	As at December 31, 2023 \$	As at December 31, 2022 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		19,245,628	5,162,991
Prepaid expenses		900,310	470,725
Other receivables	5	532,835	804,630
Spare parts		212,135	—
TOTAL CURRENT ASSETS		20,890,908	6,438,346
NON-CURRENT ASSETS			
Exploration and evaluation assets	6,12	8,594,798	8,578,627
Property, plant and equipment	7	8,488,499	3,394,670
TOTAL NON-CURRENT ASSETS		17,083,297	11,973,297
TOTAL ASSETS		37,974,205	18,411,643
LIABILITIES			
CURRENT LIABILITIES			
Trade payables and accrued liabilities	8	4,280,146	4,025,716
Current portion of lease liability	11	1,611,143	1,365,697
Promissory Note	9	—	7,070,959
TOTAL CURRENT LIABILITIES		5,891,289	12,462,372
NON-CURRENT LIABILITIES			
Vehicle financing		236,124	164,644
Provision for leave and severance		510,202	177,941
Term Loan	10	17,956,423	—
Lease liability	11	—	1,365,697
Deferred share units liability	13	884,481	298,000
NSR Option liability	12	2,750,000	—
TOTAL NON-CURRENT LIABILITIES		22,337,230	2,006,282
TOTAL LIABILITIES		28,228,519	14,468,654
SHAREHOLDERS' EQUITY			
Common shares (No par value, unlimited common shares authorized; 149,300,920 issued and outstanding) (December 31, 2022 – 116,521,343)		—	—
Preferred shares		31,516	31,516
Additional paid-in capital	13	116,069,973	77,302,736
Deficit		(104,566,816)	(72,190,747)
Accumulated other comprehensive loss		(1,788,987)	(1,200,516)
TOTAL SHAREHOLDERS' EQUITY		9,745,686	3,942,989
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		37,974,205	18,411,643

Nature of Operations and Going Concern (Note 1)

The accompanying notes are an integral part of these Consolidated Financial Statements.

Approved by the Board of Directors on June 28, 2024.

/s/ Keith Morrison
Keith Morrison
Director

/s/ Jason LeBlanc
Jason LeBlanc
Director



Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian dollars)

	Notes	Year ended December 31, 2023 \$	Year ended December 31, 2022 \$
EXPENSES			
General and administration expenses	20	8,674,041	7,631,027
Depreciation	7	744,783	96,543
General exploration expenses	6	19,179,663	20,157,701
Interest and bank charges		40,390	93,937
Share-based payments		657,138	7,731,117
Deferred share units granted	13	798,122	298,000
Fair value movement of deferred shares units	13	(128,114)	—
Warrant fair value movement	4	—	(8,974,901)
Net foreign exchange loss (gain)		395,020	(143,777)
		30,361,043	26,889,647
OTHER ITEMS			
Interest expenses of Promissory Note	9	341,370	416,703
Accretion of Promissory Note	9	341,177	—
Interest expenses of Term Loan	10	793,392	—
Accretion of Term Loan	10	881,621	—
Other interest expense		181,997	—
NET LOSS BEFORE TAX		32,900,600	27,306,350
Deferred tax recovery	19	(524,531)	—
NET LOSS FOR THE YEAR		32,376,069	27,306,350
OTHER COMPREHENSIVE LOSS			
Exchange differences on translation of foreign operations		588,471	1,178,200
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		32,964,540	28,484,550
Basic and diluted loss per share		0.25	0.25
Weighted average number of common shares outstanding – basic and diluted		128,509,525	109,661,379

The accompanying notes are an integral part of these Consolidated Financial Statements.


Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Notes	Number of Shares	Preferred shares \$	Additional paid-in capital \$	Deficit \$	Accumulated Other Comprehensive Loss \$	Total Shareholders' Equity \$
BALANCE AS AT DECEMBER							
31, 2021	13	76,679,908	—	9,214,566	(16,609,142)	(22,316)	(7,416,892)
Net loss for the year		—	—	—	(27,306,350)	—	(27,306,350)
Share capital issued through private placement		8,936,167	—	22,388,599	—	—	22,388,599
Share issue costs		—	—	(1,535,727)	—	—	(1,535,727)
Acquisition of NAN Cancelled PNRC shares held by NAN		(7,667,707)	—	(19,710,608)	—	—	(19,710,608)
Cancelled PNRC warrant held by NAN		—	—	—	(28,275,255)	—	(28,275,255)
PNRC shares exchanged		(77,948,368)	—	—	—	—	—
PNRC shares received in exchange		82,157,536	—	—	—	—	—
Outstanding shares of NAN acquired on RTO		31,748,399	31,516	87,096,729	—	—	87,128,245
Recapitalization on RTO		—	—	(29,174,415)	—	—	(29,174,415)
Exercise of warrants		1,236,408	—	569,399	—	—	569,399
Exercise of options		1,379,000	—	723,076	—	—	723,076
Share-based payment		—	—	7,731,117	—	—	7,731,117
Exchange differences on translation of foreign operations		—	—	—	—	(1,178,200)	(1,178,200)
BALANCE AS AT DECEMBER							
31, 2022	13	116,521,343	31,516	77,302,736	(72,190,747)	(1,200,516)	3,942,989
Net loss for the year		—	—	—	(32,376,069)	—	(32,376,069)
Share capital issued through private placement		32,342,551	—	39,774,313	—	—	39,774,313
Share issue costs		—	—	(3,058,875)	—	—	(3,058,875)
FV of lender warrants		—	—	1,744,192	—	—	1,744,192
Deferred tax liability on lender warrants		—	—	(524,531)	—	—	(524,531)
Exercise of options, net		337,026	—	—	—	—	—
Exercise of warrants		100,000	—	175,000	—	—	175,000
Share-based payment		—	—	657,138	—	—	657,138
Exchange differences on translation of foreign operations		—	—	—	—	(588,471)	(588,471)
BALANCE AS AT DECEMBER							
31, 2023	13	149,300,920	31,516	116,069,973	(104,566,816)	(1,788,987)	9,745,686

The accompanying notes are an integral part of these Consolidated Financial Statements.



Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Notes	Year ended	
		December 31, 2023	December 31, 2022
		\$	\$
OPERATING ACTIVITIES			
Net loss for the year		(32,376,069)	(27,306,350)
Interest received		110,886	—
Interest payment on the Term Loan		(980,892)	—
Items not affecting cash:			
Share-based payment		657,138	7,731,117
Deferred share units granted	13(d)	798,121	298,000
FV movement of deferred share units	13(d)	(128,114)	—
Depreciation	7	744,783	96,543
Provision for leave and severance		332,261	177,941
Accretion on loans		674,121	70,959
Deferred tax recovery	19	(524,531)	—
Warrant fair value movement		—	(8,974,901)
Changes in non-cash working capital and non-current liability			
Prepaid expenses and other receivables		(157,790)	(1,127,061)
Trade payables and accrued expenses		254,430	3,445,230
Deferred share units redemption	13(d)	(83,527)	—
Spare parts		(212,135)	—
Net cash used in operating activities		(30,891,318)	(25,588,522)
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	7	(4,746,256)	(737,271)
Additions to expenditures on exploration and evaluation assets	6	(483,883)	(8,578,627)
NSR Option payment received	6	2,750,000	—
Cash received through RTO transaction		—	11,051,917
Net cash used in investing activities		(2,480,139)	1,736,019
FINANCING ACTIVITIES			
Proceeds from issuance of units		39,774,312	23,404,857
Share issue costs		(2,808,231)	(1,535,727)
Proceeds from exercise of options and warrants		175,000	—
Loan proceeds, net of fees		19,605,000	—
Promissory Note (repayment) financing		(7,637,329)	6,740,000
Vehicle loan financing		71,480	164,644
Lease payment		(2,241,906)	—
Net cash provided by financing activities		46,938,326	28,773,774
Effect of exchange rate changes on cash and cash equivalents		515,768	(1,748,483)
Change in cash and cash equivalents for the year		14,082,637	3,172,788
Cash and cash equivalents at the beginning of the year		5,162,991	1,990,203
Cash and cash equivalents at the end of the year		19,245,628	5,162,991
Supplemental cash flow information			
Income taxes paid		—	—
Interest paid		1,633,888	68,285
Supplemental disclosure of non-cash investing and financing activities			
Right of use asset additions		1,023,615	3,077,421

The accompanying notes are an integral part of these Consolidated Financial Statements.



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Premium Nickel Resources Ltd. (TSXV: PNRL) (the “**Company**” or “**PNRL**”) was founded upon the closing of a reverse takeover transaction (the “**RTO**”) whereby Premium Nickel Resources Corporation (“**PNRC**”) and 1000178269 Ontario Inc. (“**NAN Subco**”), a wholly-owned subsidiary of North American Nickel Inc. (“**NAN**”), amalgamated by way of a triangular amalgamation (the “**Amalgamation**”) under the *Business Corporations Act* (Ontario) (the “**OBCA**”) on August 3, 2022 (Note 4). The common shares of PNRL are now listed and posted for trading on the TSX Venture Exchange (the “**TSXV**”) under the symbol “**PNRL**”.

Prior to the RTO, PNRC was a private company existing under the OBCA. PNRC was incorporated to evaluate, acquire, improve and reopen, assuming economic feasibility, a combination of certain assets of BCL Limited (“**BCL**”) and Tati Nickel Mining Company (“**TNMC**”) that were in liquidation in Botswana.

In connection with the RTO, the Company was continued under the OBCA and changed its name from “North American Nickel Inc.” to “Premium Nickel Resources Ltd.”

Currently, the Company’s principal business activity is the exploration and evaluation of mineral properties in Botswana through its wholly-owned subsidiaries.

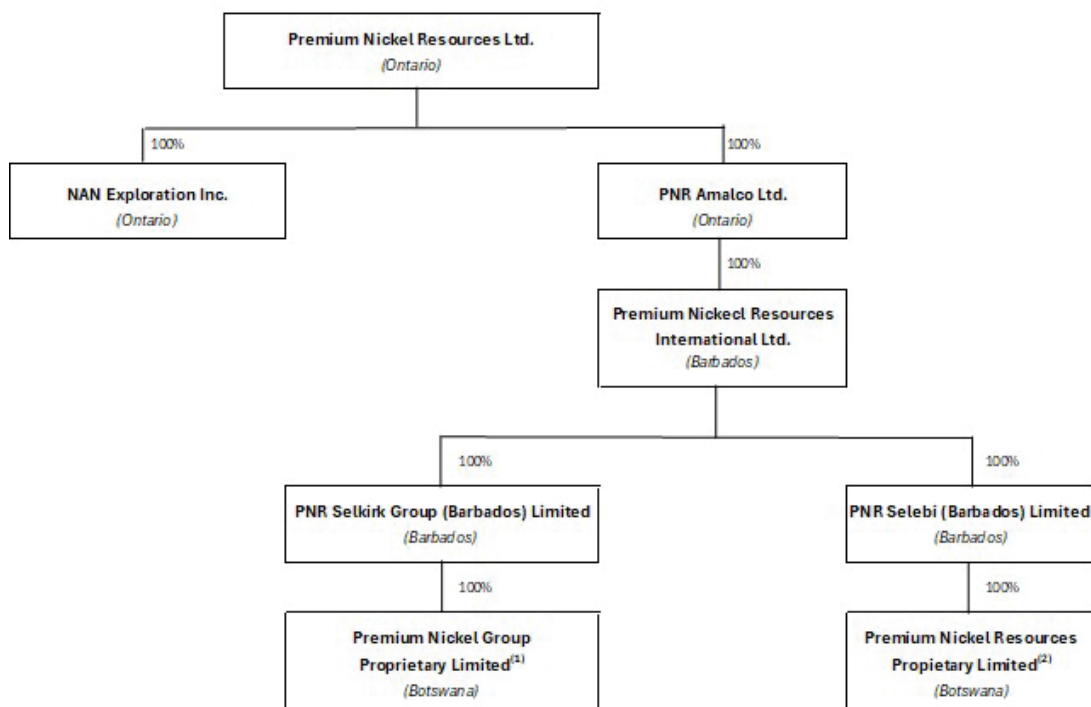


Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

The following corporate structure chart sets out details of the direct and indirect ownership of the principal subsidiaries of the Company:



Notes:

- (1) Premium Nickel Group Proprietary Limited owns the Selkirk Assets (as defined below).
- (2) Premium Nickel Resources Proprietary Limited owns the Selebi Assets (as defined below).

The Company has its head and registered office at One First Canadian Place, 100 King Street West, Suite 3400, Toronto, Ontario, Canada M5X 1A4.

The principal assets of the Company are the Selebi and Selebi North nickel-copper-cobalt (“Ni-Cu-Co”) mines (the “**Selebi Mines**”) in Botswana and related infrastructure (together, the “**Selebi Assets**”), as well as the nickel, copper, cobalt, platinum-group elements (“**Ni-Cu-Co-PGE**”) Selkirk mine (the “**Selkirk Mine**”) in Botswana, together with associated infrastructure and four surrounding prospecting licenses (collectively, the “**Selkirk Assets**”).



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

Going Concern

The Company, being in the exploration stage, is subject to risks and challenges similar to companies in a comparable stage of exploration and development. These risks include the challenges of securing adequate capital for exploration, development and operational risks inherent in the mining industry, and global economic and metal price volatility and there is no assurance management will be successful in its endeavors. As at December 31, 2023, the Company had no source of operating cash flows, nor any credit line currently in place. The Company incurred a net loss of \$32,376,069 for the year ended December 31, 2023, and \$27,306,350 for the year ended December 31, 2022. The Company's committed cash obligations and expected level of expenses will vary depending on its operations.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The ability of the Company to continue operations as a going concern is ultimately dependent upon achieving profitable operations and its ability to obtain adequate financing. To date the Company has not generated profitable operations from its resource activities and will need to invest additional funds in carrying out its planned evaluation, development and operational activities. It is not possible to predict whether financing efforts will be successful or if the Company will attain a profitable level of operations. These material uncertainties cast substantial doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities and the reported expenses and comprehensive loss that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

The properties in which the Company currently has an interest are in pre-revenue stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out the planned development and cover administrative costs, the Company will use its existing working capital and raise additional amounts as needed. Although the Company has been successful in its past fundraising activities, there is no assurance as to the success of future fundraising efforts or as to the sufficiency of funds raised in the future. The Company will continue to assess new properties and seek to acquire interests in additional properties if there is sufficient geologic or economic potential and if adequate financial resources are available to do so.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These consolidated financial statements reflect the accounts of the Company and have been prepared in accordance with generally accepted accounting principles in the United States ("US GAAP") and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") for financial information.

(b) Basis of preparation

These consolidated financial statements have been prepared under the historical cost convention, modified by the revaluation of any financial assets and financial liabilities where applicable. The preparation of consolidated financial statements in conformity with US GAAP requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. These areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

Operating segments are reported in a manner consistent with the internal reporting used for the consolidated financial statements. The Company determined that it has one reportable operating segment being that of the acquisition, exploration and evaluation of mineral properties in three geographic segments, which are Canada, Barbados and Botswana (Note 17).

(c) Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries. The chart below summarizes the entities included in the consolidated financial statements as at December 31, 2023 and 2022. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Name of Entity	Place of Incorporation	Percentage Ownership	Functional Currency
Premium Nickel Resources Ltd.	Ontario, Canada		CAD
NAN Exploration Inc.	Ontario, Canada	100	CAD
PNR Amalco Ltd.	Ontario, Canada	100	CAD
Premium Nickel Resources International Ltd.	Barbados	100	USD
PNR Selkirk Group (Barbados) Limited	Barbados	100	USD
PNR Selebi (Barbados) Limited	Barbados	100	USD
Premium Nickel Group Proprietary Limited	Botswana	100	BWP
Premium Nickel Resources Proprietary Limited	Botswana	100	BWP

Effective August 3, 2022, NAN completed the 100% acquisition of the outstanding shares of PNRC (Note 4). As the shareholders of PNRC obtained control of the Company through the exchange of their shares of PNRC for shares of NAN, the acquisition of PNRC has been accounted for in these consolidated financial statements as a reverse takeover. Consequently, the consolidated statements of loss and cash flows for the year ended December 31, 2023 reflect the results from the operations and cash flows of PNRL, the combined company post RTO, and the consolidated statements of loss and cash flow for the year ended December 31, 2022 reflect the results from the operations and cash flows of PNRC, the legal subsidiary of the Company, combined with NAN, the legal parent of PNRC, from the acquisition on August 3, 2022 to December 31, 2022.

(d) Foreign currency translation

The Company's functional and presentation currency is the Canadian dollar. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the year in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2023 and 2022

*(Expressed in Canadian dollars)**(e) Foreign operations*

In the Company's consolidated financial statements, all assets, liabilities and transactions of the Company's entities with a functional currency other than the Canadian dollar are translated into Canadian dollars upon consolidation. The functional currency of the Company's subsidiaries in Barbados is the US dollar, and the Botswana Pula (BWP) for the subsidiaries in Botswana during the reporting period. On consolidation, assets and liabilities have been translated into Canadian dollars at the closing rate on the reporting date. Fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Canadian dollars at the closing rate on the reporting date. Income and expenses have been translated into Canadian dollars at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive loss and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

(f) Financial instruments Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The following table shows the classification of the Company's financial assets and liabilities:

Financial asset/ liability	Classification
Cash	FVTPL
Trade payables and accrued liabilities	Amortized cost
Lease liability	Amortized cost
Promissory Note	Amortized cost
Vehicle financing	Amortized cost
NSR liability	Amortized cost
Deferred share unit liability	FVTPL

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. ASC 820 "Fair Value Measurements and Disclosures" establishes a three-tier fair value hierarchy, which prioritizes the inputs in measuring fair value. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market.



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: one or more significant inputs used in a valuation technique are unobservable in determining fair values of the asset or liability.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of an asset or liability in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the year in which they arise.

Impairment of financial assets at amortized cost

An 'expected credit loss' impairment model applies that requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another party. Gains and losses on derecognition are generally recognized in the statements of comprehensive loss.

Financial liabilities

Financial liabilities are derecognized when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the statement of comprehensive loss.

(g) Exploration and evaluation assets

Costs of lease, exploration, carrying and retaining unproven mineral properties are expensed as incurred. The Company expenses all mineral exploration costs as incurred as it is still in the exploration stage. If the Company identifies proven and probable reserves in its investigation of its properties and upon development of a plan for operating a mine, it would enter the development stage and capitalize future costs until production is established. When a property reaches the production stage, the related capitalized costs are amortized on a units-of-production basis over the proven and probable reserves following the commencement of production. Interest expense allocable to the cost of developing mining properties and to construct new facilities is capitalized until assets are ready for their intended use.

To date, the Company has not established the commercial feasibility of any exploration prospects; therefore, all exploration costs are being expensed.

ASC 930-805, "Extractive Activities-Mining: Business Combinations" states that mineral rights consist of the legal right to explore, extract, and retain at least a portion of the benefits from mineral deposits. Mining assets include mineral rights which are considered tangible assets under ASC 930-805. ASC 930-805 requires that mineral rights be recognized at fair value as of the acquisition date. As a result, the direct costs to acquire mineral rights are initially capitalized as intangible assets. Mineral rights include costs associated with acquiring patented and unpatented mining claims.

The Company may sell the net smelter returns royalty on its projects pursuant to the term of an option agreement. Due to the fact that the options are exercisable entirely at the discretion of the option holder, the consideration received in cash from the acquirer is recorded as a reduction of the book value of the exploration and evaluation assets.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts, events and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

Recoverability of the carrying amount of any exploration and evaluation asset is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the consolidated statement of comprehensive loss.

(h) Impairment of assets

Non-financial assets, including exploration and evaluation assets and property, plant and equipment, are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Circumstances that could trigger a review include, but are not limited to: significant decreases in the market price of the assets; significant adverse changes in the business climate or legal factors; accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of the assets; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the assets; and current expectation that the assets will more likely than not be sold or disposed significantly before the end of their estimated useful life.

When indicators of potential impairment are present the Company prepares a projected undiscounted cash flow analysis for the respective asset or asset group. If the sum of the undiscounted cash flows is less than the carrying value of the asset or asset group, an impairment loss is recognized equal to the excess of the carrying value over the fair value, if any. Fair value can be determined using a market approach, income approach or cost approach. Recognized impairment losses are not reversed.

(i) Leases

At commencement of a contract, the Company assesses whether a contract is, or contains, a lease by determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A right-of-use (the "ROU") asset and lease liability are recognized at the lease commencement date. The lease liability is initially measured at the present value of all future lease payments that have not been paid as of the commencement date of the lease, discounted using the Company's incremental borrowing rate, unless the rate implicit in the lease is readily determinable. The ROU asset is initially measured at cost, which is calculated as the initial amount of the lease liability, with an adjustment for any initial direct costs incurred, plus adjustments for any lease payments made in advance of the commencement date, and less any lease incentives received.

ASC 842 requires a lessee to classify a lease as either a finance or operating lease. Interest and amortization expense are recognized for finance leases while only a single lease expense is recognized for operating leases, typically on a straight-line basis.

ROU assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is remeasured when there is a change in future lease payments if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. These adjustments are recorded through profit or loss. Subsequent changes in lease payments that vary with a rate or index are recognized as variable payments and are expensed as incurred.

**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2023 and 2022

*(Expressed in Canadian dollars)**(j) Property, plant and equipment*

Property, Plant and Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of a significant replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of comprehensive loss during the financial period in which they are incurred. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation is calculated on a straight-line method to charge the cost, less residual value, of the assets to their residual values over their estimated useful lives. The depreciation rate applicable to each category of property, plant and equipment is as follows:

Equipment	Estimated useful life (years)
Exploration equipment	5
Computer and software	2
Generator	5
Vehicles	4
Furniture and fixtures	10
Buildings	25

(k) Additional paid in capital

Additional paid in capital is presented at the value of the shares issued as the Company's shares have no stated par value. Transaction costs directly attributable to the issuance of common shares are recognized as a deduction from equity. Transactions with shareholders are disclosed separately in equity.

The proceeds from the exercise of stock options or warrants together with amounts previously recorded in additional paid in capital over the vesting periods are recorded as additional paid in capital.

Unit placements

The Company uses the relative fair value method with respect to the measurement of shares and warrants issued as private placement units. Under the relative fair value method, the Company first determines the fair value of the common shares and warrants issued in a private placement, calculates the total fair value of the issued units, and then allocates the proceeds received between the common shares and warrants based on their respective percent of the total fair value.

(l) Share-based payments

The Company records stock-based compensation in accordance with ASC 718 ("Compensation – Stock Compensation") using the fair value method. All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock-based awards. This model is affected by the Company's stock price as well as assumptions regarding a number of subjective variables. These subjective variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards, and actual and projected stock option exercise behaviors. The value of the portion of the award that is ultimately expected to vest is recognized as an expense in the statement of operations over the requisite service period.

The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. At the end of each reporting period, the Company re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the consolidated statements of loss and comprehensive loss. No expense is recognized for awards that do not ultimately vest.

Where the terms of an equity settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense or its reduction is recognized for any modification which increases or decreases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification. Where an award is cancelled by the Company or the counterparty, any remaining element of the fair value of the award is expensed immediately or reversed through profit or loss, depending on the type of cancellation.

(m) Deferred Share Units ("DSUs")

In the year ended December 31, 2022, the Company approved the adoption of a DSU plan. In accordance with ASC 718 ("Compensation – Stock Compensation"), this plan is a cash-settled share-based compensation program whereby the Company records the fair value of the liability at the date upon which it is incurred and adjusts the liability to the fair value at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

The DSU Plan enables the Company upon approval by the Directors to grant DSU's to eligible non-management directors. Upon granting DSU's, the Company records stock-based compensation based on the number of units granted multiplied by the volume weighted average price of the Company's common shares for the last five trading days ("**5-day-VWAP**") immediately preceding the date of the grant.

The DSUs credited to the account of a director may only be redeemed following the date upon which the holder ceases to be a director. Depending upon the country of residence of a director, the DSUs may be redeemed at any time prior to December 15 in the calendar year following the year in which the holder ceases to be a director, and may be redeemed in as many as four installments. Upon redemption, the holder is entitled to a cash payment equal to the number of units redeemed multiplied by the 5-day-VWAP of the Company's common shares on that date. The Company may elect, in its sole discretion, to settle the value of the DSUs redeemed in the Company's common shares on a one-for-one basis, provided shareholder approval has been obtained on or prior to the relevant redemption date.

(n) Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on loss per common share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

Basic loss per common share is calculated using the weighted average number of common shares outstanding during the period and does not include outstanding options and warrants. Dilutive loss per common share is not presented differently from basic loss per share as the conversion of outstanding stock options and warrants into common shares would be anti-dilutive.

(o) Income taxes

The Company's tax provision consists of taxes currently payable or receivable, plus any change during the period in deferred tax assets and liabilities. The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In addition, a valuation allowance is established to reduce any deferred tax asset for which it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized.

During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. Accounting for income taxes requires a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if available evidence indicates it is more likely than not that the tax position will be fully sustained upon review by taxing authorities, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount with a greater than 50 percent likelihood of being realized upon ultimate settlement. For tax positions that are 50 percent or less likely of being sustained upon audit, the Company does not recognize any portion of that benefit in the financial statements.

(p) Derivative Liabilities

The Company evaluates its financial instruments and other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for in accordance with ASC 815. The result of this accounting treatment is that the fair value of the embedded derivative is marked-to-market at each balance sheet date and recorded as a liability and the change in fair value is recorded in the consolidated statements of operations. Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity.

The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is reassessed at the end of each reporting period. Derivative instruments that become subject to reclassification are reclassified at the fair value of the instrument on the reclassification date. Derivative instrument liabilities will be classified in the balance sheet as current or non-current based on whether or not settlement of the derivative instrument is expected within 12 months of the balance sheet date.

The Company uses the Black-Scholes model to value derivative liabilities.

3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in conformity with US GAAP requires management to make judgments, estimates and assumptions that can affect reported amounts of assets, liabilities, revenue and expenses and the accompanying disclosures. Estimates and assumptions are continuously evaluated and are based on management's historical experience and on other assumptions.



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

believed to be reasonable under the circumstances. However, different judgments, estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The area involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are:

Critical Accounting Judgements:

(a) RTO – fair value

The fair value of the consideration exchanged for the RTO transaction are based on various factors such as the fair value of the assets acquired or liabilities assumed, the fair value of equity instruments issued, and any related acquisition costs.

The assumptions and estimates used in arriving at fair value figures are based on management's judgments and relevant market data. The fair value of the equity instruments issued is determined based on market prices or valuation techniques that take into account factors such as expected share price volatility.

(b) Recoverability of exploration and evaluation assets

The ultimate recoverability of the exploration and evaluation assets with a carrying value of \$8,594,798 at December 31, 2023, is dependent upon the Company's ability to obtain the necessary financing to complete the exploration and development and commence profitable production at its projects, or alternatively, upon the Company's ability to dispose of its interests therein on an advantageous basis. A review of the indicators of potential impairment is at minimum carried out at each period end.

Management undertakes a periodic review of these assets to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount of the assets is made. An impairment loss is recognized when the carrying value of the assets is higher than the recoverable amount and when mineral license tenements are relinquished or have lapsed. In undertaking this review, management of the Company is required to make significant estimates of, among other things, discount rates, commodity prices, availability of financing, future operating and capital costs and all aspects of project advancement. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the assets.

(c) Restoration provisions

Management's best estimates regarding the restoration provisions are based on the current economic environment. Changes in estimates of contamination, restoration standards and restoration activities result in changes to provisions from period to period. Actual restoration provisions will ultimately depend on future market prices for future restoration obligations. Management has determined that the Company has no restoration obligations at December 31, 2023.

(d) Going concern

Consolidated financial statements are prepared on a going concern basis unless management either intends to liquidate the Company or has no realistic alternative to do so. Assessment of the Company's ability to continue as a going concern requires the consideration of all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. This information includes estimates of future cash flows and other factors, the outcome of which is uncertain. When management is aware,



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

in making its assessment, of material uncertainties related to events or conditions that may cast substantial doubt upon the Company's ability to continue as a going concern those uncertainties are disclosed.

Critical Accounting Estimates

(a) Valuation of share-based compensation and warrants

The Company estimates the fair value of warrants and options using the Black-Scholes Option Pricing Model which requires significant estimation around assumptions and inputs such as expected term to maturity, expected volatility and expected forfeiture rates. Note 13 of the consolidated financial statements contains further details of significant assumptions applied to these areas of estimation.

(b) Deferred tax

Tax benefits from uncertain tax positions may be recognized when it is probable that the Company will be able to use deductible temporary differences against taxable profit: (i) whether a tax position, based solely on its technical merits, is probable to be sustained upon examination, and (ii) measuring the tax benefit as the expected value or most likely amount taking into consideration which method better predicts the realized amounts upon ultimate settlement.

Furthermore, the Corporation uses the asset and liability method in accounting for deferred taxes and mining duties. Under this method, deferred taxes are recognized for future income tax. In preparing these estimates, management is required to interpret substantially enacted legislation as well as economic and business conditions along with management's tax and corporate structure plans which may impact taxable income in future periods.

(c) Estimated useful lives and depreciation of property, plant and equipment

Depreciation of property, plant and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

4. AMALGAMATION

On April 26, 2022, PNRC and NAN entered into a definitive amalgamation agreement (the "**Amalgamation Agreement**") in respect of their previously-announced RTO transaction, pursuant to which PNRC would "go-public" by way of a reverse acquisition of NAN.

Transaction Particulars

Pursuant to the Amalgamation Agreement:

- (a) NAN's subsidiary, 1000178269 Ontario Inc. ("**NAN Subco**"), amalgamated with PNRC under Section 174 of the OBCA to form one corporation;
- (b) Holders of PNRC shares exchanged their shares at a rate of 1.054 shares of NAN for each share of PNRC "the "**Exchange Ratio**"", after giving effect to a 5-to-1 share consolidation for each outstanding share of NAN; and



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

- (c) the transactions resulted in an RTO of the Company in accordance with the policies of the TSXV, all in the manner contemplated by, and pursuant to, the terms and conditions of the Amalgamation Agreement.

In connection with the RTO, NAN, among other things: (a) changed its name to “Premium Nickel Resources Ltd.”; (b) changed its stock exchange ticker symbol to “PNRL”; and (c) reconstituted the board of directors and management of the Company. The outstanding options of PNRC immediately prior to the effective time of the RTO were exchanged and adjusted pursuant to the terms of the Amalgamation Agreement such that holders thereof were entitled to acquire, following the closing of the RTO, options of the Company after giving effect to the Exchange Ratio, as applicable.

Pursuant to the Amalgamation Agreement, the Company issued 82,157,536 common shares of the Company (on a post-consolidation basis) in exchange for 77,948,368 outstanding shares of PNRC immediately prior to the effective time of the RTO. Immediately after giving effect to the RTO Transaction, the Company was owned approximately 72.1% by persons who were shareholders of PNRC prior to the RTO and 27.9% by persons who were shareholders of NAN prior to the RTO.

Prior to this exchange, NAN had 31,748,399 shares outstanding (on a post-consolidation basis). Taking into account the composition of the board and senior management and the relative ownership percentages of NAN and PNRC shareholders in the newly combined enterprise, from an accounting perspective PNRC is considered to have acquired NAN, and hence the transaction has been recorded as a reverse takeover.

The transaction is accounted for as a capital transaction of PNRC and equivalent to the issuance of shares by PBRC for the net assets of NAN accompanied by a recapitalization as NAN did not qualify as a business according to the definition in ASC 805 “Business Combinations” and met the definition of a non-operating public shell. As a result, the transaction has been accounted for as an asset acquisition with PNRC being identified as the acquirer and NAN being treated as the accounting acquiree. PNRC is the continuing entity.

The purchase price was determined based on the number of shares that PNRC would have had to issue on the date of closing to give the owners of NAN the same percentage equity (27.9%) of the combined entity as they held subsequent to the reverse takeover.



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

The costs of the acquisition have been allocated as follows:

	\$
FV of shares transferred	77,431,152
FV of options, warrants and agent warrants	9,665,577
FV of preferred shares	31,516
Settlement of pre-existing relationship – 15% warrant and shares*	(47,985,863)
Total FV of consideration transferred	<u>39,142,383</u>
Cash	11,051,917
Trade and other receivables	450,522
Property, plant and equipment	14,111
Trade payables and accrued liabilities	(1,548,582)
Net assets acquired	9,967,968
Reduction to additional paid-in capital as a result of the recapitalization	29,174,415
	<u>39,142,383</u>

*Pre-existing relationship

Before the closing of the RTO, NAN owned 7,667,707 common shares of PNRC and a 15% warrant which entitled NAN to purchase common shares of PNRC for up to 15% of the then outstanding capital of PNRC upon payment of USD 10,000,000 prior to the fifth anniversary of the date of issue (the “15% Warrant”). Prior to the date that the Amalgamation became effective, the PNRC shares and the 15% Warrant held by NAN were contributed to NAN Subco, as part of the securities contribution, resulting in such securities being cancelled at law by operation of the triangular amalgamation.

Prior to the RTO, the fair value of the 15% Warrant and the shares held by NAN were \$28,275,255 and \$19,710,608, respectively. The fair value of the shares was calculated based on the last offer price of PNRC’s financing prior to the RTO, and the fair value of the warrants was calculated using the Black-Sholes Model with the following assumptions: expected life of 2.57 years, expected dividend yield of 0%, a risk free rate of 3.14% and an expected volatility of 141.63%. As they were the securities contributed by NAN on the closing of the RTO, the fair value of the warrants and shares were included as part of the consideration on the acquisition date.

Pursuant to the RTO, an aggregate of 8,827,250 options to purchase common shares of the Company (“**Replacement Options**”) were issued (on a post 5:1 consolidation basis) to the former holders of options to purchase common shares of PNRC (prior to the RTO) (“**PNRC Options**”) in exchange for 8,375,000 PNRC Options. The Replacement Options issued to the former holders of PNRC Options were on the same terms and conditions as those exchanged by PNRC holders except all the previously unvested options vested immediately. Immediately prior to the completion of the RTO, PNRC had 2,383,333 unvested options outstanding which re-evaluated at a fair value of \$5,138,022 upon the completion of the RTO.

Given that the RTO has been accounted for as a reverse takeover of NAN by PNRC, from an accounting perspective, PNRC was deemed to have issued options and warrants to the former security holders of NAN. Immediately prior to the closing of the RTO, NAN had 2,995,794 options and 2,228,340 warrants outstanding, respectively, as well as 118,186 preferred shares that could be converted to 13,131 common shares of NAN (on a post-consolidation basis). The aggregate fair value of such 2,995,794 options, 2,228,340 warrants



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

and 118,186 preferred shares of NAN was \$9,665,577, and this amount was included as a component of the purchase price. Costs related to the transaction were \$2,327,125 and were expensed as incurred.

The fair value of NAN's options and warrants as at August 3, 2022 was calculated using the following assumptions:

As of August 3, 2022	Warrants	Options
Expected dividend yield	0%	0%
Expected forfeiture rate	0%	0%
Share price of last financing	\$0.48	\$0.48
Expected share price volatility	64.91% - 113.22%	133.15% - 143.3%
Risk free interest rate	3.18%	2.85% - 3.08%
Remaining life of warrants & options	-.03 - 2 years	2.56 - 4.23 years

For purposes of determining the fair value of the share consideration exchanged on the RTO, the shares of PNRC were valued at USD 2.00 per share, the offering price for the PNRC shares on the last PNRC equity financing prior to the RTO.

The RTO resulted in a loss of \$29,174,415 with respect to the fair value of the consideration transferred over the fair value of identifiable net assets, which has been recorded as a reduction to equity during the year ended December 31, 2022.

5. OTHER RECEIVABLES

A summary of the other receivables as at December 31, 2023 and December 31, 2022 is detailed in the table below:

	December 31, 2023 \$	December 31, 2022 \$
HST paid on purchases	301,618	445,128
VAT paid on purchases	223,776	359,502
Other receivables	7,441	—
	532,835	804,630

6. EXPLORATION AND EVALUATION ASSETS

	Botswana		Total \$
	Selebi \$	Selkirk \$	
Acquisitions			
Balance, December 31, 2021	—	—	—
Acquisition costs	8,251,518	327,109	8,578,627
Balance, December 31, 2022	8,251,518	327,109	8,578,627
Addition costs	483,883	—	483,883
Foreign currency translation	(449,878)	(17,834)	(467,712)
Balance, December 31, 2023	8,285,523	309,275	8,594,798

The exploration and evaluation assets of the Company consist of the acquisition costs of mining assets located in Botswana.



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

The following is a description of the Company's exploration and evaluation assets and the related spending commitments:

Botswana Assets - Selebi and Selkirk

On September 28, 2021, the Company executed the Selebi Asset Purchase Agreement ("the **"Selebi APA"**") with the BCL liquidator to acquire the Selebi Assets formerly operated by BCL. On January 31, 2022, the Company closed the transaction and ownership of the Selebi Assets transferred to the Company.

Pursuant to the Selebi APA, the aggregate purchase price payable to the seller for the Selebi Assets shall be the sum of \$76,862,200 (USD 56,750,000) which amount shall be paid in three instalments:

- \$2,086,830 (USD 1,750,000) payable on the closing date. This payment has been made.
- \$33,860,000 (USD 25,000,000) upon the earlier of: (a) approval by the Ministry of Mineral Resources, Green Technology and Energy Security ("**MMRGTES**") of the Company's Section 42 and Section 43 Applications (further extension of the mining license and conversion of the mining license into an operating license, respectively), and (b) on the expiry date of the study phase, January 31, 2025, which can be extended for one year with written notice.
- The third instalment of \$40,632,000 (USD 30,000,000) is payable on the completion of mine construction and production start-up (commissioning) by the Company on or before January 31, 2030, but not later than four years after the approval by the Minister of MMRGTES of the Company's Section 42 and Section 43 Applications.
- Payment of care and maintenance funding contribution in respect of the Selebi Assets for a total of \$6,164,688 (USD 5,178,747) from March 22, 2021 to the closing date. This payment has been made.

The total acquisition cost of the Selebi Assets included the first instalment of \$2,086,830 (USD 1,750,000) and the payment of the care and maintenance funding contribution of \$6,164,688 (USD 5,178,747) for the assets. As per the terms and conditions of the Selebi APA, the Company has the option to cancel the second and third payments and give back the Selebi Assets to the liquidator in the event where the Company determines that the Selebi Assets are not economical. The Company also has an option to pay in advance the second and third payments in the event where the Company determines that the Selebi Assets are economical.

In addition to the Selebi APA, the purchase of the Selebi Assets is also subject to a contingent compensation agreement as well as a royalty agreement with the liquidator.

PNRC also negotiated a separate asset purchase agreement (the "**Selkirk APA**") with the liquidator of TNMC to acquire the Selkirk deposit and related infrastructure formerly operated by TNMC on January 20, 2022. The transaction closed on August 22, 2022.

The Selkirk APA does not provide for a purchase price or initial payment for the purchase of the assets. The acquisition cost of the Selkirk Mine of \$327,109 (USD 244,954) was the care and maintenance funding contribution from April 1, 2021 to the closing date of the Selkirk APA. The Selkirk APA provides that if the Company elects to develop the Selkirk Mine first, the payment of the second Selebi instalment of \$33,860,000 (USD 25,000,000) would be upon the approval by the Minister of MMRGTES of the Company's Section 42 and Section 43 Applications (further extension of the Selkirk mining license and conversion of the Selkirk mining license into an operating license, respectively). For the third Selebi instalment of \$40,632,000 (USD 30,000,000), if the Selkirk Mine were to be commissioned earlier than the Selebi Mines, the payment would trigger on the Selkirk Mine's commission date.



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

On August 16, 2023, the Company entered into a binding commitment letter with the Liquidator of BCL Limited, which is subject to customary final documentation, to acquire a 100% interest in two additional deposits (“**Phikwe South**” and the “**Southeast Extension**”) located adjacent to and immediately north of the Selebi North mine. The impact is to extend the northern boundary of the Selebi Mining License by 3.7 kilometres and increase the Selebi Mining License area from 115.0 square kilometres to 153.7 square kilometres. While the remaining historic resources at Phikwe South and Southeast Extension occur within the expanded Selebi Mining License, the amended license intentionally does not include the historic mine workings and infrastructure at these previously-producing properties, and the Company has no liability for historic environmental issues at those sites.

The upfront cost to the Company to acquire these additional mineral properties is USD1,000,000. In addition, the Company agreed to additional work commitments of USD5,000,000 in the aggregate over the next four years. As a result of the extension of the Selebi Mining License, the remaining asset purchase obligations of the Company outlined in the original Selebi Mines asset purchase agreement with the Liquidator will each increase by 10%, \$7,436,000 (USD 5,500,000) in total, while the trigger events remain unchanged. The existing 2% net smelter royalty (“**NSR**”) held by the Liquidator with respect to production from the Selebi Mining License will also apply to production from these additional deposits, subject to the Company’s existing buy-back right for 50% of the NSR (Note 12). The acquisition of the Phikwe South and Southeast Extension deposits has not yet closed as at December 31, 2023.

General Exploration Expenses

Details of the general exploration expenses by nature are presented as follows:

For the year ended December 31, 2023:

	Botswana		Total \$
	Selebi \$	Selkirk \$	
Site operations & administration	854,277	283,163	1,137,440
Care and maintenance	2,633,418	—	2,633,418
Geology	3,044,671	155,255	3,199,926
Drilling	3,313,797	6,791	3,320,588
Geophysics	1,860,531	137,883	1,998,414
Engineering	5,115,616	42,484	5,158,100
Environmental, social and governance	417,002	—	417,002
Metallurgy and processing	80,770	186,260	267,030
Technical studies	25,273	7,835	33,108
Health and safety	322,591	1,013	323,604
Water treatment project	140,545	—	140,545
Mine re-development	398,500	64,583	463,083
Licensing and others	87,405	—	87,405
Total	18,294,396	885,267	19,179,663



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

For the year ended December 31, 2022:

	Botswana		Total \$
	Selebi \$	Selkirk \$	
Site operations & administration	1,588,871	45,740	1,634,611
Care and maintenance	5,137,228	—	5,137,228
Geology	1,560,892	162,532	1,723,424
Drilling	7,146,446	8,546	7,154,992
Geophysics	1,646,847	12,553	1,659,400
Engineering	1,953,239	66,239	2,019,478
Environmental, social and governance	196,131	34,986	231,117
Metallurgy and processing	75,362	4,762	80,124
Technical studies	46,397	12,106	58,503
Health and safety	275,118	—	275,118
Water treatment project	14,055	—	14,055
Mine re-development	—	—	—
Licensing and others	169,651	—	169,651
Total	19,810,237	347,464	20,157,701

7. PROPERTY, PLANT AND EQUIPMENT

The tables below set out costs and accumulated amortization as at December 31, 2023 and December 31, 2022.

Cost	Land and Buildings (ROU Assets) \$	Exploration Equipment (ROU Assets) \$	Exploration Equipment \$	Furniture and Fixtures \$	Generator \$	Vehicles \$	Computer and software \$	Total \$
Balance – December 31, 2022	3,077,420	—	11,973	126,605	31,381	241,884	1,950	3,491,213
Additions	—	1,023,615	4,190,484	65,998	8,557	187,310	585,561	6,061,525
Foreign currency translation	(167,783)	—	—	(704)	(1,711)	(31,162)	(20,104)	(221,464)
Balance – December 31, 2023	2,909,637	1,023,615	4,202,457	191,899	38,227	398,032	567,407	9,331,274

Accumulated Depreciation	Land and Building (ROU Assets)	Exploration Equipment (ROU Assets)	Exploration Equipment	Furniture and Fixtures	Generator	Vehicles	Computer and software	Total
Balance – December 31, 2022	51,123	—	1,447	1,872	562	39,589	1,950	96,543
Depreciation during the year	119,133	85,301	306,112	14,030	6,212	69,997	143,998	744,783
Foreign currency translation	—	—	—	3,177	1,775	(3,503)	—	1,449
Balance – December 31, 2023	170,256	85,301	307,559	19,079	8,549	106,083	145,948	842,775



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

Carrying Value	Land (ROU Assets)	Exploration Equipment (ROU Assets)	Exploration Equipment	Furniture and Fixtures	Generator	Vehicles	Computer and Software	Total
Balance – December 31, 2022	3,026,297	—	10,526	124,733	30,819	202,295	—	3,394,670
Balance – December 31, 2023	2,739,381	938,314	3,894,898	172,820	29,678	291,949	421,459	8,488,499

Additions to property, plant and equipment during the year ended December 31, 2023 included the purchase of drilling equipment for \$1,023,000 through a lease agreement with a drilling company (Note 11) as well as vehicles financed through a local Botswana bank.

Cost	Land and Buildings (ROU Assets) \$	Furniture and Fixtures \$	Exploration Equipment \$	Generator \$	Vehicles \$	Computer and software \$	Total \$
Balance – December 31, 2021	—	—	—	—	—	—	—
Additions	3,077,420	126,605	11,973	31,381	241,884	1,950	3,491,213
Balance – December 31, 2022	3,077,420	126,605	11,973	31,381	241,884	1,950	3,491,213

Accumulated Depreciation	Land and Buildings (ROU Assets)	Furniture and Fixtures	Exploration Equipment	Generator	Vehicles	Computer and software	Total
Balance – December 31, 2021	—	—	—	—	—	—	—
Depreciation during the year	51,123	1,872	1,447	562	39,589	1,950	96,543
Balance – December 31, 2022	51,123	1,872	1,447	562	39,589	1,950	96,543

Carrying Value	Buildings (ROU Assets)	Furniture and Fixtures	Exploration Equipment	Generator	Vehicles	Computer and Software	Total
Balance – December 31, 2021	—	—	—	—	—	—	—
Balance – December 31, 2022	3,026,297	124,733	10,526	30,819	202,295	—	3,394,670

8. TRADE PAYABLES AND ACCRUED LIABILITIES

	December 31, 2023 \$	December 31, 2022 \$
Amounts due to related parties (Note 14)	93,795	43,235
Trade payables	2,383,196	3,660,519
Accrued liabilities	1,803,155	321,962
	4,280,146	4,025,716

9. PROMISSORY NOTE

On November 21, 2022, the Company announced a \$7,000,000 bridge loan (the “**Bridge Loan**”) financing from Pinnacle Island LP (the “**Lender**”). The Bridge Loan financing closed on November 25, 2022 and net proceeds of \$6,740,000 were received by the Company (after deducting the commitment fee of \$260,000). The Bridge Loan was evidenced by the issuance of a Promissory Note by the Company to the Lender (the “**Promissory Note**”). The Promissory Note had a principal amount of \$7 million and bore interest at a rate of 10% per annum, calculated monthly and initially payable on February 22, 2023, being the maturity date of the Promissory Note, with



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

a right of the Company to extend the maturity date to March 22, 2023 by providing written notice to the Lender by February 15, 2023. The Company extended the maturity to March 22, 2023.

On March 17, 2023, the Company entered into an amended and restated Promissory Note (the “**A&R Promissory Note**”) extending the maturity of the Promissory Note from March 22, 2023 to November 24, 2023 (the “**Extension**”). All other terms of the Promissory Note remained the same. In connection with the Extension and entry into of the A&R Promissory Note, the Company agreed to pay an amendment and restatement fee of \$225,000 and issued 350,000 non-transferable common share purchase warrants to the Lender (the “**Lender Warrants**”). Each Lender Warrant is exercisable to acquire one common share of the Company at a price of \$1.75 per common share for a period of one year from the date of the A&R Promissory Note. In connection with the Extension and issuance of the Lender Warrants, the 119,229 common share purchase warrants previously issued to the Lender in connection with the initial issuance of the Promissory Note were cancelled concurrently with the Extension.

In connection with the A&R Promissory Note, \$341,370 of interest was paid to the Lender as at December 31, 2023 (December 31, 2022 - \$70,959). Accretion of the warrant value and transaction fee for a total of \$341,117 (December 31, 2022 – Nil) were recorded in the consolidated statements of comprehensive loss.

The fair value of the liability of the Lender Warrants was estimated at \$116,177 using the Black-Scholes Option Pricing Model. The fair value of the Lender Warrants and the amendment and restatement fee of \$225,000 was added to the liability of the A&R Promissory Note and amortized over the remaining life of the A&R Promissory Note.

On June 28, 2023, the Company repaid the Promissory Note in full including accrued interest of \$412,329, and restatement fee of \$225,000 for an aggregate amount of \$7,637,329.

The fair value of the Lender warrants was calculated using the following assumptions:

	March 31, 2023
Expected dividend yield	0 %
Stock price	\$ 1.40
Expected share price volatility	77.2 %
Risk free interest rate	3.49 %
Expected life of warrant	1 year

The volatility was determined by calculating the historical volatility of stock prices of the Company over one year using daily closing prices. The formula used to compute historical volatility is the standard deviation of the logarithmic returns.

10. TERM LOAN

On June 28, 2023, the Company closed a financing with Cymbria Corporation (“**Cymbria**”), EdgePoint Investment Group Inc. and certain other entities managed by it (“**EdgePoint**”) for aggregate gross proceeds to PNRL of \$33,999,200. The financing included three concurrent and inter-conditional transactions (collectively the “**Financing Transactions**”) comprised of an equity offering of units for \$16,249,200 (the “**Equity Financing**”), a three year term loan of \$15,000,000 (the “**Term Loan**”) and option payments of \$2,750,000 (the “**Option Payment**”) to acquire a 0.5% net smelter returns royalty on the Company’s Selebi Mines and Selkirk Mine in certain circumstances upon payment of further consideration (Note 12).



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

The Term Loan has a principal amount of \$15,000,000 and bears interest at a rate of 10% per annum payable quarterly in arrears. The principal amount of the Term Loan will mature and be payable on the third anniversary of the date of issue. The obligations of the Company pursuant to the Term Loan are fully and unconditionally guaranteed by each of the Company's existing and future subsidiaries. The Term Loan is secured by a pledge of all the shares of the Company's subsidiaries as well as by way of a general security agreement at the parent level and debentures and hypothecations at the subsidiary level. The Term Loan is subject to certain covenants and provisions on events of default, repayments and mandatory prepayments including:

- increase in the interest rate payable on the Term Loan to 15% per annum upon the occurrence of an event of default;
- the Company may prepay all or any portion of the principal amount outstanding with a minimum repayment amount of \$500,000 and in an integral multiple of \$100,000, together with all accrued and unpaid interest on the principal amount being repaid;
- if prepayment occurs within one year of the closing date, a prepayment fee in an amount equal to 10% of the principal amount of the Term Loan being prepaid less interest paid or payable on or prior to the date of prepayment attributable to the portion of the Term Loan ("**Prepayment Fee**");
- mandatory prepayment shall be made when the Company has non-ordinary course asset sales or other dispositions of property or the Company receives cash from the issuance of indebtedness for borrowed money and all of the net cash proceeds from assets sales or new loans shall be applied to repay the principal amount of the Term Loan together with all accrued and unpaid interest on the principal amount being repaid as well as the Prepayment Fee if such mandatory prepayment occurs within one year of the closing date; and
- in the event of change of control, the Company shall repay the Term Loan in full plus a fee equal to 10% of the then-outstanding principal amount of the Term Loan.

In connection with the Term Loan, the Company issued an aggregate of 2,000,000, non-transferable common share purchase warrants (the "**Non-Transferable Warrants**") to Cymbria. Each Non-Transferable Warrant is excisable by Cymbria to purchase one common share upon payment of the cash purchase price of \$1.4375 per common share for a period of three years from the issuance thereof.

Further, on December 14, 2023, in accordance with the terms of a second amended and restated commitment letter dated December 3, 2023 (the "**Second A&R Commitment Letter**"), the Company and Cymbria closed an amendment to the terms of their existing Term Loan pursuant to which the Company increased the principal amount of the Term Loan by \$5,882,353 (the "**Additional Principal Amount**") from \$15,000,000 to \$20,882,353. The Additional Principal Amount was subject to an original issue discount of approximately 15% and was advanced by the Lender to the Company as a single advance of \$5,000,000. The Additional Principal Amount forms a part of the Term Loan and, except as otherwise set out in the Second A&R Commitment Letter, is on the same terms and conditions applicable to the Term Loan. For certainty, the Additional Principal Amount bears interest at a rate of 10% per annum calculated and payable quarterly in arrears and will mature and be payable on June 28, 2026, which, in each case, is consistent with the terms and conditions applicable to the Term Loan. As consideration for entering into the Amended Term Loan, the Company issued an additional 700,000 non-transferable common share purchase warrants (collectively, the "**Additional Warrants**") to the Lender, with each Additional Warrant entitling the Lender to acquire one common share at a price of \$1.4375 per common share until June 28, 2026. The shares issued for exercise of the Additional Warrants are subject to a hold period of four months plus a day from the date of issue and the resale rules of applicable securities legislation and policies of the Exchange.



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

The Company evaluated the amendment of the Term Loan and determined that it qualified as a non-substantial modification under ASC 470. Therefore, a new effective interest rate was determined based on the carrying amount of the original debt instrument, adjusted for the fair value of the Additional Warrants resulting from the modification, and the revised cash flows.

The fair value of the Non-Transferable Warrants was estimated at \$1,435,350 and \$275,961 respectively, using the Black-Scholes Option Pricing Model. At initial closing, the accounting was based on relative fair value under ASC 470, with proceeds and transaction costs allocated between the Term Loan and the Non-Transferable Warrants. The Non-Transferable Warrants were allocated \$1,352,054, including \$83,296 in transaction costs. The Additional Warrants were accounted for as transaction costs for obtaining the Additional Principal Amount. As such, \$1,352,054 and \$275,961 respectively were recorded in equity.

The fair value of the Non-Transferable Warrants was calculated using the following assumptions:

	June 28, 2023	December 14, 2023
Expected dividend yield	0 %	0 %
Stock price	\$ 1.35	\$ 1.14
Expected share price volatility	92.06 %	63.54 %
Risk free interest rate	4.13 %	3.73 %
Expected life of warrant	3 years	2.54 years

The Company used \$7,637,329 of the proceeds from the Term Loan to prepay all principal, interest and fees owing by the Company pursuant to the A&R Promissory Note dated March 17, 2023 in favour of Pinnacle Island LP (Note 9).

For the year ended December 31, 2023, The Company paid \$793,392 of interest costs to Cymbria.

The following is a continuity of the Term Loan

	\$
Principal amount of the Term Loan	15,000,000
Fair value of the attached warrants	(1,435,350)
Term Loan at fair value on issuance, June 28, 2023	13,564,650
Transaction costs	(787,175)
Accretion of warrant value and transaction costs	631,540
Fair value of loan as of December 14, 2023	13,409,015
Additional principal amount of loan on Dec 14, 2023	5,882,353
Loan issue discount	(882,353)
Fair value of the attached warrants	(275,961)
Transaction fee for modification	(219,212)
Fair value of modified loan as of December 14, 2023	17,913,842
Accretion of warrant value and transaction costs	42,581
	17,956,423

Fort Capital Partners acted as financial advisor to PNRL on the Financing Transactions and was paid cash fees of \$375,000 and \$147,059 by PNRL, equal to 2.5% of the original principal amount and the Additional Principal Amount, respectively. Legal fees related to the Financing Transactions totaled \$736,067, of which \$495,471 was allocated to the original Term Loan. Legal fees of \$72,153 associated with the Second A&R Commitment Letter were recorded and amortized over the remaining terms of the loan. As noted above, certain



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

transaction costs in relation to the original principal amounts were allocated to the Non-Transferrable Warrants based on the relative fair value method under ASC 470.

11. LEASE LIABILITY

	December 31, 2023	December 31, 2022
	\$	\$
Lease liabilities, beginning of the year	2,731,394	—
Lease additions	1,035,000	3,213,404
Lease payments	(2,241,906)	(550,295)
Interest expense on lease liabilities	301,098	68,285
Impact of FX translation	(214,443)	—
Lease liabilities, end of the year	1,611,143	2,731,394
Current portion of lease liability (less than one year)	1,611,143	1,365,697
Long-term lease liability (one to five years)	—	1,365,697

Syringa Lodge

On July 9, 2022, the Company executed a sales agreement (the “**Lodge Agreement**”) with Tuli Tourism Pty Ltd. (the “**Seller**”) for the Syringa Lodge (the “**Lodge**”) in Botswana.

As per the Lodge Agreement, the aggregate purchase price payable to the Seller shall be the sum of \$3,213,404 (BWP 30,720,000). A deposit of \$482,011 (BWP 4,608,000) was paid on August 17, 2022. The balance is payable in two installments of \$1,365,697 (BWP 13,056,000) on each of July 1, 2023 and August 1, 2024. The payment due on July 1, 2023 was made to the Seller.

In addition to the above purchase price, the Company is required to pay to the Seller an agreed interest amount in twelve equal monthly instalments of \$13,657 (BWP 130,560) followed by twelve equal monthly instalments of \$6,828 (BWP 65,280). The implied discount rate for the arrangement is 6%. The Company recognized a finance lease for this lease.

Drilling Equipment

On March 14, 2023, the Company entered into a drilling equipment supply agreement (the “**Equipment Agreement**”) with Forage Fusion Drilling Ltd. (“**Forage**”) to purchase specific drilling equipment on a “rent to own” basis with the purchase price to be paid in monthly payments.

As per the Equipment Agreement, the aggregate purchase price payable to Forage is \$2,942,000. A deposit of \$1,700,000 was paid in March 2023. The balance is payable in twelve equal monthly instalments of \$103,500. The equipment arrived at the site in July 2023. Based on the stated equipment purchase price of \$2,735,000 and monthly installments, the implied interest rate for the arrangement is 35%. The Company recognized a finance lease for this lease.



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

The following table presents lease cost and other supplemental lease information:

	December 31, 2023 \$	December 31, 2022 \$
Finance lease cost:		
Amortization of right-of-use assets	204,434	51,124
Interest expense on lease liabilities	301,098	68,285
Cash paid for finance lease liabilities	(2,241,906)	(550,295)

12. NSR OPTION

Concurrently with the closings of the Equity Financing and the Term Loan on June 28, 2023, Cymbria paid an aggregate of \$2,750,000 (“**Option Payment**”) to two subsidiaries of PNRL to acquire a right to participate with such subsidiaries in the exercise of certain contractual rights, as and when the same may be exercised by such subsidiaries. The Option Payment was allocated to PNRP and PNGP (defined below) for \$2,500,000 and \$250,000, respectively.

As the NSR options are exercisable entirely at the discretion of Cymbria and the underlying projects are in the exploration stage, the fair value of the call and put on the option as at December 31, 2023 is Nil. The Option payment received in cash was recorded as a non-current liability.

PNRL’s indirect wholly-owned subsidiary Premium Nickel Resources Proprietary Limited (“**PNRP**”) acquired the Selebi Mines in January 2022 out of liquidation. Pursuant to the acquisition agreement, the liquidator retained a 2% net smelter returns royalty on the Selebi Mines (the “**Selebi NSR**”). PNRP has a contractual right to repurchase one-half of the Selebi NSR at a future time on payment by PNRP to the liquidator of USD 20,000,000.

PNRL’s indirect wholly-owned subsidiary Premium Nickel Group Proprietary Limited (“**PNGP**”) acquired the Selkirk Mine in August 2022 out of liquidation. Pursuant to the acquisition agreement, the liquidator retained a 1% net smelter returns royalty on the Selkirk Mine (the “**Selkirk NSR**” and together with the Selebi NSR, the “**NSRs**”). PNGP has a contractual right to repurchase the entirety of the Selkirk NSR at a future time on payment by PNGP to the liquidator of USD 2,000,000.

Each of PNRP and PNGP has agreed to grant Cymbria, in exchange for the Option Payment, an option to participate in any such repurchase of the applicable portion of its NSR from the relevant liquidator. Cymbria will, following the exercise of its option to participate in any such repurchase, acquire a 0.5% net smelter returns royalty on the applicable property by paying an amount equal to one half of the repurchase price payable by PNRP or PNGP pursuant to the applicable NSR, less the Option Payment paid at closing pursuant to the relevant option agreement among Cymbria and PNRP or PNGP, as applicable. Cymbria has the right to put its options back to PNRP and PNGP in certain circumstances in return for the reimbursement of the applicable portion of the Option Payment.

Under the NSR option purchase agreements, Cymbria could acquire a 0.5% net smelter returns royalty on the Company’s Selebi Mines and Selkirk Mine upon payment of \$10,675,231 (USD 8,102,500) and \$1,067,523 (USD 810,250), respectively.



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

13. SHARE CAPITAL, WARRANTS AND OPTIONS

The authorized capital of the Company comprises an unlimited number of common shares without par value and 100,000,000 Series 1 convertible preferred shares without par value.

a) Common Shares Issued and Outstanding

During the year ended December 31, 2023, the Company completed the following financing transactions:

On February 24, 2023, the Company issued 4,437,184 common shares at a price of \$1.75 per share for gross proceeds of \$7,765,072 upon the closing of a brokered private placement (the “**Offering**”). In connection with the Offering, the Company: (a) paid to the agents a cash commission of \$473,383, equal to 6% of the gross proceeds (other than on certain president’s list purchasers on which a cash commission of 3% was paid); and (b) issued to the agents that number of non-transferable broker warrants of the Company (the “**Broker Warrants**”) as is equal to 6% of the number of common Shares sold under the Offering (other than on common shares issued to president’s list purchasers on which Broker Warrants equal to 3% were issued). Each Broker Warrant is exercisable to acquire one common share at an exercise price of \$1.75 per common share until February 24, 2025. A total of 221,448 broker warrants were issued to the agents under the Private Placement. The fair value of the warrants was estimated at \$167,939 using the Black-Scholes Option Pricing Model. Legal fees related to the Offering of \$133,164 were also recorded as a share issuance cost.

On June 28, 2023, the Company issued 14,772,000 units at a price of \$1.10 per unit to EdgePoint for aggregate gross proceeds of \$16,249,200 upon the closing of the Financing Transactions. Each unit comprises one common share of PNRL and 22.5% of one whole common share purchase warrant (each a “**Transferable Warrant**” and together the “**Transferable Warrants**”). The total whole number of Transferable Warrants issuable in the Equity Financing is 3,324,000. Each Transferable Warrant may be exercisable by the holder thereof to purchase one common share at an exercise price of \$1.4375 per common share for a period of three years. The fair value of the Transferable Warrants was estimated at \$1,898,349 using a proportionate allocation method based on the fair value of each component (shares and warrants). The fair value of the warrants is calculated using the Black-Scholes Option Pricing Model while the fair value of the shares is determined by the stock price on the closing date of the Equity Financing times the total number of shares issued.

Fort Capital Partners acted as financial advisor to PNRL on the Financing Transactions and was paid cash fees of \$812,460 by PNRL, equal to 5.0% of the gross proceeds of the equity portion of the Financing Transactions. Legal fees related to the Financing Transactions (Note 10) totaled \$736,067, of which \$240,596 was recorded as share issuance cost.

The fair value of the warrants in connection with the above two financing transactions were calculated using the following assumptions:

	February 24, 2023	June 28, 2023
Expected dividend yield	0 %	0 %
Stock price	\$ 1.73	\$ 1.35
Expected share price volatility	77.52 %	92.06 %
Risk free interest rate	4.28 %	4.13 %
Expected life of warrant	2 years	3 years

The volatility was determined by calculating the historical volatility of stock prices of the Company over a period as the expected life of warrants using daily closing prices. The formula used to compute historical volatility is the standard deviation of the logarithmic returns.



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

On December 14, 2023, the company closed an equity and debt financing package of approximately \$21.6 million, comprised of a broker private placement (the “**Private Placement**”) and amended Term Loan (Note 10). The Private Placement was completed in accordance with the terms of an agency agreement dated December 14, 2023 and entered into by the Company with Cormark Securities Inc. and BMO Capital Markets, as co-lead agents, and Canaccord Genuity Corp., Fort Capital Securities Ltd. and Paradigm Capital Inc. (collectively, the “**Agents**”). Under the offering of the Private Placement, the Company issued an aggregate of 13,133,367 common shares at a price of \$1.20 per common share for aggregate gross proceeds of \$15,760,040. In consideration for the services provided by the Agents under the offering, the Company paid to the Agents an aggregate cash commission of \$796,983, representing 6% of the gross proceeds of the offering (other than in respect of subscribers included on a president’s list formed by the Company, for which a reduced commission of 3% of the gross proceeds was paid). In connection with the Private Placement, EdgePoint exercised its participation right in respect of the offering (the “**Participation Right**”) and subscribed for an aggregate 1,265,800 common shares. EdgePoint was granted the Participation Right pursuant to the terms of a subscription agreement between the Company and EdgePoint dated June 28, 2023.

As at December 31, 2023, the Company had 149,300,920 common shares issued and outstanding (December 31, 2022 – 116,521,343).

2022

In April 2022, PNRC completed a non-brokered private placement of 8,936,167 shares at a price of USD 2.00 per share for gross proceeds of \$22,388,599 (USD 17,731,238). In connection with the private placement, PNRC paid to eligible finders (“**Finders**”): (a) a cash commission equal to 6% of the gross proceeds raised from subscribers introduced to the Company by such Finders, being an aggregate of \$1,535,727; and (b) that number of common shares equal to 6% of the units attributable to the Finders under the private placement, being an aggregate of 70,548 shares with a total value of \$176,398 at the offer price of the private placement.

On August 3, 2022, PNRC combined with NAN in a reverse takeover transaction whereby shareholders of PNRC exchanged their shares at a rate of 1.054 shares of NAN for each share of PNRC, after giving effect to a 5-to-1 share consolidation for each outstanding share of NAN (Note 4). As a result, a total of 82,157,536 common shares of NAN were issued in exchange for 77,948,368 shares of PNRC. These shares were added to the current NAN shares outstanding balance of 31,748,399 for total shares outstanding of 113,905,935 upon closing of the RTO.

Effective August 3, 2022, in connection with the closing of the RTO, the Company completed a share consolidation of the Company’s issued and outstanding common shares and preferred shares, in each case exchanging one (1) post-consolidation share without par value for every five (5) pre-consolidation shares issued and outstanding.



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

b) Warrants

The following summarizes common share purchase warrant activity for the year ended December 31, 2023:

	December 31, 2023		December 31, 2022	
	Number Outstanding	Weighted Average Exercise Price (\$)	Number Outstanding	Weighted Average Exercise Price (\$)
Outstanding, beginning of the year	1,098,786	1.96	—	—
Adjustment pursuant to the RTO			2,228,340	1.11
Issued	6,595,448	1.46	119,229	2.04
Exercised	(100,000)	1.75	(1,236,408)	0.46
Cancelled/expired	(703,135)	1.80	(12,375)	0.45
Outstanding, end of the year	6,891,099	1.50	1,098,786	1.96

At December 31, 2023, the Company had outstanding common share purchase warrants exercisable to acquire common shares of the Company as follows:

Warrants Outstanding	Expiry Date	Exercise Price (\$)	Weighted Average remaining contractual life (years)
295,651	August 3, 2024	2.40	0.02
221,448	February 24, 2025	1.75	0.04
350,000	March 17, 2024	1.75	0.01
5,324,000	June 28, 2026	1.44	1.93
700,000	June 28, 2026	1.44	0.25
6,891,099			2.25

At December 31, 2022, the Company had outstanding common share purchase warrants exercisable to acquire common shares of the Company as follows:

Warrants Outstanding	Expiry Date	Exercise Price (\$)	Weighted Average remaining contractual life (years)
683,905	April 16, 2023	1.75	0.18
295,652	August 3, 2024	2.40	0.43
119,229	November 25, 2023	2.04	0.10
1,098,786			0.71

c) Stock Options

The Company adopted a Stock Option Plan (the “Plan”) providing the authority to grant options to directors, officers, employees and consultants enabling them to acquire up to 27,100,000 common shares of the Company. Under the Plan, the exercise price of each option typically equals the last closing price per share on the trading day immediately preceding the day on which the Company announces the grant of the option, less applicable discount, if any, permitted by the policies of the Exchange and approved by the Board. The options can be granted for a maximum term of ten years.



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

A summary of option activity under the Plan during the year ended December 31, 2023 is as follows:

	December 31, 2023		December 31, 2022	
	Number Outstanding	Weighted Average Exercise Price (\$)	Number Outstanding	Weighted Average Exercise Price (\$)
Outstanding, beginning of the year	10,407,044	1.10	2,995,794	1.33
Issued	3,833,277	1.75	8,827,250	1.16
Exercised	(488,900)	0.49	(1,416,000)	0.46
Cancelled	(263,500)	2.40	—	—
Outstanding, end of the year	13,487,921	1.39	10,407,044	1.10

During the year ended December 31, 2023, the Company granted an aggregate total of 3,833,277 stock options to employees, directors, officers and consultants with a term of five years. The options have an exercise price of \$1.75 per share and vest annually in equal thirds beginning on the first anniversary of the date of grant. As at December 31, 2023, none of the options granted were vested. A total of \$657,138 was recorded as a share-based payment expense and credit to reserve, including \$115,601 from revaluation of the previous grant options due to extension of the expiry date of those options.

During the year ended December 31, 2022, prior to the RTO, PNRC granted an aggregate total of 2,600,000 stock options to employees, directors, officers and consultants with a maximum term of five years. The options are exercisable at USD 2.00 per share (C\$2.49/share) with 1/3 vesting on the date of grant, 1/3 on the first anniversary and 1/3 on the second anniversary following the close of the USD 20,000,000 private placement. Upon the closing of the RTO, all PNRC options were exchanged for options of the Company at a rate of 1.054 and vested in full immediately. The fair value of all options, including those granted during the nine months ended December 31, 2022 as well as the ones granted but not vested during the year ended December 2021, amounted to \$7,731,117 and was recorded as a share-based payment expense.

The fair value of stock options granted during the year ended December 31, 2023 and December 31, 2022 were calculated using the following assumptions:

	December 31, 2023	December 31, 2022
Expected dividend yield	0 %	0 %
Expected forfeiture rate	0 %	0 %
Expected share price volatility	87.92 %	125.83%-129.48 %
Risk free interest rate	4.28-4.68 %	0.42%-2.85 %
Expected life of options	<u>3-4 years</u>	<u>4.16-5 years</u>



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

Details of options outstanding as at December 31, 2023 are as follows:

Options Outstanding	Options Exercisable	Expiry Date	Exercise Price (\$)	Weighted average remaining contractual life (years)
780,000	780,000	February 24, 2025	0.80	0.07
240,000	240,000	August 19, 2025	0.45	0.03
3,320,100	3,320,000	January 26, 2026	0.39	0.50
495,000	495,000	February 25, 2026	1.60	0.08
1,343,850	1,343,850	September 29, 2026	0.91	0.27
998,794	998,794	October 25, 2026	2.00	0.20
2,476,900	2,476,900	January 20, 2027	2.40	0.56
3,833,277	—	August 8, 2028	1.75	1.31
13,487,921	9,654,544			3.04

Details of options outstanding as at December 31, 2022 are as follows:

Options Outstanding	Options Exercisable	Expiry Date	Exercise Price (\$)	Weighted average remaining contractual life (years)
900,000	900,000	February 24, 2025	0.80	0.19
240,000	240,000	August 19, 2025	0.45	0.06
3,689,000	3,689,000	January 26, 2026	0.39	1.09
495,000	495,000	February 25, 2026	1.60	0.15
1,343,850	1,343,850	September 29, 2026	0.91	0.48
998,794	998,794	October 25, 2026	2.00	0.37
2,740,400	2,740,400	January 20, 2027	2.62	1.07
10,407,044	10,407,044			3.41

d) DSU Plan

Effective December 2022, the Company approved a Deferred Share Unit Plan (“**DSU Plan**”) that enables the Company upon approval by the Directors to grant DSUs to eligible non-management directors. The DSUs credited to the account of a director may only be redeemed following the date upon which the holder ceases to be a director. Depending upon the country of residence of a director, the DSUs may be redeemed at any time prior to December 15 in the calendar year following the year in which the holder ceases to be a director and may be redeemed in as many as four installments. Upon redemption, the holder is entitled to a cash payment equal to the number of units redeemed multiplied by the five-day VWAP of the Company’s common shares on that date. The Company may elect, in its sole discretion, to settle the value of the DSUs redeemed in the Company’s common shares on a one-for-one basis, provided shareholder approval has been obtained on or prior to the relevant redemption date.



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

During the year ended December 31, 2023, DSUs have been granted as follows:

	Number Outstanding	Market Price ¹ (\$)	Fair Value (\$)
DSUs outstanding at December 31, 2022	200,000	1.49	298,000
DSUs granted during the year ²	600,951	1.33	798,122
DSUs redeemed during the year	(69,976)	1.19	(83,527)
Fair value adjustment	—		(128,114)
DSUs outstanding at December 31, 2023	<u>730,975</u>	1.21	<u>884,481</u>

^{1.} According to the DSU plan, Market Price is the volume weighted average price on the TSXV for the last five trading days immediately preceding the grant date.

^{2.} DSUs were granted on March 31, Jun 30, Sept 30 and December 31, 2023. The market price of \$1.33 represented the weighted average price for those grants.

During the year ended December 31, 2022, DSUs have been granted as following:

	Number Outstanding	Market Price (\$)	Fair Value (\$)
DSUs outstanding at December 31, 2021	—	—	—
DSUs granted during the year	200,000	1.49	298,000
DSUs outstanding at December 31, 2022	<u>200,000</u>	1.49	<u>298,000</u>

During the year ended December 31, 2023, the DSU compensation totaled \$798,122 and was recorded as share based compensation (December 31, 2022 - \$298,000).

The DSUs were classified as a derivative financial liability that should be measured at fair value, with changes in value recorded in profit or loss. The fair value of the DSUs was determined by the volume weighted average price on the TSXV for the last five trading days of each reporting period. As at December 31, 2023, the Company reassessed the fair value of the DSUs at \$884,481 and recorded the amount as a DSUs liability (December 31, 2022 - \$298,000).

14. RELATED PARTY TRANSACTIONS

The following amounts due to related parties are included in trade payables and accrued liabilities (Note 8).

	December 31, 2023 \$	December 31, 2022 \$
Directors and officers of the Company	93,795	43,235
	<u>93,795</u>	<u>43,235</u>

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

(a) Related party transactions

As a result of the Financing Transactions on June 28, 2023 and December 14, 2023, Cymbria and certain other funds managed by EdgePoint (the “**Financing Parties**”) have acquired a total of 16,037,800 common shares of the Company, representing approximately



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

10.7% of the Company's issued and outstanding shares. The Financing Parties also acquired on closing an aggregate of 6,024,000 warrants with a three-year term and an exercise price of \$1.4375 which, if exercised, together with the shares acquired at closing would result in the Financing Parties holding approximately 14.2% of the shares in the aggregate (calculated on a partially-diluted basis). As the result of the closing of the Financing Transactions, the Financing Parties are now related parties of PNRL. During the year ended December 31, 2023, the Company paid interest of \$793,392 to the Financing Parties (December 31, 2022 – Nil).

During the year ended December 31, 2022, ThreeD Capital Inc. subscribed for a further 1,279,069 common shares of PNRC, for a further investment of \$3,064,582 (USD 2,427,076) (2021 - \$374,123). As of December 31, 2023, ThreeD Capital Inc. beneficially owned 5,906,622 (December 31, 2022 – 8,662,347 shares), constituting approximately 3.96% (December 31, 2022– 7.5%) of the issued and outstanding shares of the Company.

Between March 2 and March 3, 2022, PNRC issued Promissory Notes to its officers and directors as well as its shareholders as below:

	\$
Directors and officers of the Company	35,000
ThreeD Capital Inc.	762,180
NAN	1,270,000
	2,067,180

On April 30, 2022, all amounts owing in respect of the above Promissory Notes were repaid in full by payment of cash in an amount of \$2,018,568, including interest and fees, and by issuing 326,740 PNRC Shares.

(b) Key management personnel is defined as members of the Board of Directors and senior officers.

Key management compensation was related to the following:

	December 31, 2023 \$	December 31, 2022 \$
Management fees	3,122,689	2,418,984
Corporate and administration expenses	467,637	102,884
Share base payment	657,138	4,623,089
	4,247,464	7,144,957

15. FINANCIAL INSTRUMENTS

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include interest rate risk, credit risk, liquidity risk, market risk and currency risk. The carrying value of cash and cash equivalents and trade payables and accrued liabilities approximate their fair value due to their short-term nature. The fair value of the Promissory Note, Term Loan, vehicle financing, DSU liability and provision for severance are based upon discounted future cash flows using discounted rates, adjusted for the Company's own credit risk that reflect current market conditions. Such fair value estimates are not necessarily indicative of the amounts the Company might pay or receive in actual market transactions. The fair value of the DSUs is the closing price of the Company's common shares at the end of each reporting period. Fair value measurements of



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

On December 31, 2023 and December 31, 2022, the fair value of cash and cash equivalents and DSUs is based on Level 1 measurements.

16. RISK MANAGEMENT

The Company's exposure to market risk includes, but is not limited to, the following risks:

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not subject to significant changes in interest rates.

Foreign Currency Exchange Rate Risk

Currency risk is risk that the fair value of future cash flows will fluctuate because of changes in foreign currency exchange rates. In addition, the value of cash and other financial assets and liabilities denominated in foreign currencies can fluctuate with changes in currency exchange rates.

The Company primarily operates in Canada, Barbados and Botswana and undertakes transactions denominated in foreign currencies such as US dollar and Botswana Pula, and consequently is exposed to exchange rate risks. Exchange risks are managed by matching levels of foreign currency balances and related obligations and by maintaining operating cash accounts in non-Canadian dollar currencies.

Foreign currency denominated financial assets and liabilities which expose the Company to currency risk are disclosed below. The amount shown are those reported and translated into CAD at the closing rate.

	Short-term exposure		Long-term exposure
	USD \$	BWP \$	BWP \$
December 31, 2023			
Financial assets	2,576,180	755,386	54,082,922
Financial liabilities	(501,458)	(4,851,201)	(3,508,714)
Total exposure	2,074,722	(4,095,815)	50,574,208



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

	Short-term exposure		Long-term exposure
	USD \$	BWP \$	BWP \$
December 31, 2022			
Financial assets	2,834,303	473,980	32,058,793
Financial liabilities	(1,246,825)	(2,176,110)	(1,530,341)
Total exposure	1,587,478	(1,702,130)	30,528,452

The following table illustrates the sensitivity of net loss in relation to the Company's financial assets and financial liabilities and the USD/CAD exchange rate and BWP/CAD exchange rate, all other things being equal. It assumes a +/- 5% change of the USD/CAD and BWP/CAD exchange rates for the year ended December 31, 2023 and the year ended December 31, 2022, respectively.

If the CAD strengthened against the USD and BWP by 5%, respectively (December 31, 2022 – 5 %), it would have had the following impact:

	Loss for the year		Long-term exposure loss for the year	
	USD \$	BWP \$	Total \$	BWP \$
December 31, 2023	103,736	(204,791)	(101,055)	2,528,710
December 31, 2022	79,374	(85,106)	(5,732)	1,526,423

If the CAD weakened against the USD and BWP by 5%, respectively (December 31, 2022 – 5 %), it would have had the following impact:

	Loss for the year		Long-term exposure loss for the year	
	USD \$	BWP \$	Total \$	BWP \$
December 31, 2023	(103,736)	204,791	101,055	(2,528,710)
December 31, 2022	(79,374)	85,106	5,732	(1,526,423)

The higher foreign currency exchange rate sensitivity in profit at December 31, 2023 compared with December 31, 2022 is attributable to increased balances in financial assets and liabilities and fluctuations in foreign exchange rates, BWP and USD in relation to CAD.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The credit risk is primarily associated with liquid financial assets. The Company limits exposure to credit risk on liquid financial assets by holding cash at highly-rated financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages the liquidity risk inherent in these financial obligations by regularly monitoring actual cash flows to annual budget which forecast cash and expected cash availability to meet future obligations.



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

The Company will defer discretionary expenditures, as required, in order to manage and conserve cash required for current liabilities.

The following table shows the Company's contractual obligations as at December 31, 2023:

	Less than 1 year \$	1 - 2 years \$	2 - 5 years \$	Total \$
Trade payables and accrued liabilities	4,280,146	—	—	4,280,146
Vehicle financing	95,054	95,054	46,016	236,124
Term Loan	2,088,235	2,088,235	21,926,471	26,102,941
Lease liability	1,611,143	—	—	1,611,143
	8,074,578	2,183,289	21,972,487	32,230,354

Deferred share units liability and provision for leave and severance are not presented in the above liquidity analysis as management considers it is not practical to allocate the amounts into maturity groupings.

Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern, so that adequate funds are available or are scheduled to be raised to meet its ongoing administrative and operating costs and obligations. This is achieved by the Board of Directors' review and ultimate approval of budgets that are achievable within existing resources, and the timely matching and release of the next stage of expenditures with the resources made available from capital raises and debt funding from related or other parties. In doing so, the Company may issue new shares, restructure or issue new debt.

The Company is not subject to any externally imposed capital requirements imposed by a regulator or a lending institution.

In the management of capital, the Company includes the components of equity and debt (vehicle financing, lease liability, Term Loan and Promissory Note), net of cash.

	December 31, 2023 \$	December 31, 2022 \$
Shareholder's equity	9,745,686	3,942,989
Vehicle financing	236,124	164,644
Lease liability	1,611,143	2,731,394
Promissory Note	—	7,070,959
Term Loan	17,956,423	—
	29,549,376	13,909,986
Cash	(19,245,628)	(5,162,991)
	10,303,748	8,746,995



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

17. SEGMENTED INFORMATION

The Company operates in one reportable operating segment being that of the acquisition, exploration and evaluation of mineral properties in three geographic segments being Botswana, Barbados and Canada. The Company's geographic segments are as follows:

	December 31, 2023 \$	December 31, 2022 \$
Current assets		
Canada	15,894,177	3,198,344
Barbados	104,024	493,552
Botswana	4,892,707	2,746,450
Total	20,890,908	6,438,346
	December 31, 2023 \$	December 31, 2022 \$
Property, plant and equipment		
Canada	8,726	10,714
Botswana	8,479,773	3,383,956
Total	8,488,499	3,394,670
	December 31, 2023 \$	December 31, 2022 \$
Exploration and evaluation assets		
Botswana	5,844,798	8,578,627

18. CONTINGENT LIABILITIES

There are no environmental liabilities associated with the Selebi Assets and the Selkirk Assets as at the acquisition dates as all liabilities prior to the acquisitions are the responsibility of the sellers, BCL and TNMC, respectively. The Company has an obligation for the rehabilitation costs arising subsequent to the acquisitions. As of December 31, 2023, management is not aware of or anticipating any contingent liabilities that could impact the financial position or performance of the Company related to its exploration and evaluation assets.

The Company's exploration and evaluation assets are affected by the laws and environmental regulations that exist in the various jurisdictions in which the Company operates. It is not possible to estimate the future contingent liabilities and the impact on the Company's operating results due to future changes in Company's exploration and development of its projects or future changes in such laws and environmental regulations.



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

19. INCOME TAXES

The reported recovery of income taxes differs from amounts computed by applying the statutory income tax rates to the reported loss before income taxes as follows:

	Year ended December 31, 2023 \$	Year ended December 31, 2022 \$
Loss before income taxes	(32,900,600)	(27,306,350)
Statutory tax rate	26.50 %	26.50 %
Expected income tax recovery at the statutory tax rate	(8,718,659)	(7,236,183)
Permanent differences and other	(25,642)	7,227
Stock based payment	351,695	(2,378,349)
Fair value adjustment on warrants	—	2,127,716
Change in estimates and other	31,343	(520,103)
Differences in foreign tax rates	510,308	360,345
Change in deferred tax assets not recognized	7,326,424	7,639,347
Income tax recovery	(524,531)	—

As at December 31, 2023, the Company has the following deferred tax assets (liabilities):

	Year ended December 31, 2023 \$	Year ended December 31, 2022 \$
Deferred tax asset	—	—
Non-capital losses available for carry forward	1,362,834	94,260
Right-of-use asset	354,451	600,907
Deferred tax liabilities		
Term Loan	(512,921)	—
Right of use asset	(1,204,364)	(695,166)
Net deferred tax asset (liability)	—	—

Deferred tax assets in excess of deferred tax liabilities have not been recognized in respect of the following attributes because it is not probable that future taxable profit will be available against which the Company can use the benefits:

	Year ended December 31, 2023 \$	Year ended December 31, 2022 \$
Exploration and evaluation assets	4,312,654	1,243,480
Loss carry forwards	20,894,974	10,066,250
Share issuance costs	5,067,311	2,124,869
Equipment	2,633,800	3,397
Total unrecognized deductible temporary differences	32,908,739	13,437,996



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

The tax losses that have not been recognized expire as follows:

	Losses \$
2029	1,317,415
2030	1,768,436
2038	101,573
2039	351,131
2040	942,144
2041	1,390,127
2042	1,891,361
2043	8,429,181
Indefinite	4,703,606
	<u>20,894,974</u>

The company has Canadian non-capital losses of approximately \$13,105,517 which expire between 2038 and 2043. The Company also has Barbados losses of \$3,085,851 which expire between 2029 and 2030. Botswana losses of approximately \$4,703,606 may be carried forward indefinitely.

20. GENERAL AND ADMINISTRATIVE EXPENSES

Details of the general and administrative expenses are presented in the following table:

	December 31, 2023 \$	December 31, 2022 \$
Management fee	3,122,689	2,418,984
Advisory and consultancy	512,909	1,895,004
Consulting fees	1,017,842	455,228
General office expenses	1,119,026	735,518
Filing fees	285,205	109,701
Investor relationships	581,903	375,632
Professional fees	945,623	1,155,306
Salaries and benefits	367,267	115,367
Insurance	721,577	370,287
Total	<u>8,674,041</u>	<u>7,631,027</u>



Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

21. SUBSEQUENT EVENTS

On June 14 and June 21, 2024, the Company closed two tranches of a non-brokered private placement offering of units of the Company, pursuant to which the Company issued a total of 35,256,409 Units at a price of C\$0.78 per Unit for gross proceeds of approximately C\$27.5 million.

Each Unit is comprised of one common share of the Company and one common share purchase warrant of the Company (each, a “**Warrant**”). Each Warrant entitles the holder thereof to acquire one common share at an exercise price of \$1.10 per common share for a period of 5 years, subject to acceleration as described herein. If, at any time prior to the expiry date of the Warrant, the volume-weighted average trading price of the common shares of the Company on the TSX Venture Exchange (the “Exchange”) (or such other principal exchange or market where the common shares are then listed or quoted for trading) is at least C\$2.00 per common share for a period of 20 trading days, the Company may, at its option, elect to accelerate the expiry date to a date (the “**Accelerated Expiry Date**”) that is not less than 30 days following the date that the Company provides written notice to the holders of the Warrants of the Accelerated Expiry Date.

In connection with the private placement, The Company issued an aggregate 1,025,000 Units at a deemed issue price equal to C\$0.78 per unit (comprised of 1,025,000 Common Shares and 1,025,000 non-transferable Warrants) to SCP Resource Finance LP and paid Fort Capital an advisory fee of C\$250,000, in each case in consideration for providing certain advisory services to the Company.