CaNickel Mining Limited

www.canickel.com

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS
of financial condition and results of operations
for the year ended December 31, 2023

The Management's Discussion and Analysis ("MD&A") focuses on significant factors that affected the performance of CaNickel Mining Limited ("we", "our", "us", "CaNickel", or the "Company") and such factors may also affect future performance. The MD&A for the year ended December 31, 2023 should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2023 and the related notes contained therein, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and available on SEDAR at www.sedar.com.

This MD&A is prepared as at April 26, 2024 and all figures are in Canadian dollars unless otherwise indicated. Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained therein.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Except for statements of historical fact relating to CaNickel, certain information contained herein constitutes forward-looking information. Any statements or information that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategies", "targets", "goals", "forecasts", "objectives", "budgets", "schedules", "potential" or variations thereof or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements or information. Forward-looking statements or information are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those reflected in the forward-looking statements or information, including, without limitation, risks relating to fluctuating commodity prices, fluctuating currency exchange rates, permits and licenses, operations conditions, environmental risks, cyber security, and general economic conditions.

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements or information. Forward-looking statements or information are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those expressed or implied in the forward-looking statements or information. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated, described or intended. Accordingly, readers should not place undue reliance on forward-looking statements or information.

The Company's forward-looking statements and information are necessarily based on a number of estimates, assumptions, beliefs, expectations and opinions of management as of the date of this MD&A that, while considered reasonable by management of the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. These estimates, assumptions, beliefs, expectations and options include, but are not limited to, those related to the Company's ability to carry on current and future operations, including: the duration and effects of COVID-19 on our operations and workforce; development and exploration activities; the timing, extent, duration and economic viability of such operations; the accuracy and reliability of estimates, projections, forecasts, studies and assessments; the Company's ability to meet or achieve estimates, projections and forecasts; the availability and cost of inputs; the price and market for outputs; foreign exchange rates; taxation levels; the timely receipt of necessary approvals or permits; the ability to meet current and future obligations; the ability to obtain timely financing on reasonable terms when required; the current and future social, economic and political conditions; and other assumptions and factors generally associated with the mining industry.

Other than as required by applicable securities laws, the Company does not assume any obligation to update forward-looking statements and information if circumstances or management's assumptions, beliefs, expectations or opinions should change, or changes in any other events affecting such statements or information. For the reasons set forth above, investors should not place undue reliance on forward-looking statements and information.

DESCRIPTION OF BUSINESS

CaNickel Mining Limited ("CaNickel" or "the Company") is a Canadian resource company focused on the care and maintenance of its 100% owned Bucko Lake nickel sulfide project located near Wabowden, Manitoba. The current registered office and corporate head office of the Company is located at Suite 720, 320 Granville Street, Vancouver, British Columbia, Canada.

The Bucko Lake Property consists of four mineral leases, three surface leases and seven mining claims totaling 3,004 ha containing the formerly producing Bucko Lake Mine and several known historical satellite deposits, including the Bowden Lake, M11A and Apex deposits. The Company also holds the Halfway Lake property located 20 km away from the Bucko Lake Property. Together, the Bucko Lake and Halfway Lake properties make up the Thompson Nickel Belt properties ("TNB").

The Bucko Lake mining lease is subject to a 2.5% net smelter return ("NSR") held by Glencore Canada Corporation ("Glencore"), formerly Xstrata Nickel Inc. The Company also has an off-take agreement with Glencore whereby all concentrates produced from the Bucko Lake Mine must be sold to Glencore, which is currently is the sole customer of the Company.

The Bucko Lake Mine achieved commercial production in June 2009 and was in operation periodically in 2010 and 2011 before being placed into care and maintenance in 2012 due to low nickel prices. Since then, the Company's main objective has been focused on carrying out minimal exploration work and running the care and maintenance program at the Bucko Lake Mine to safeguard assets. Whether and when the Company will resume the mining operation and attain profitability and positive cash flow is uncertain and depends on numerous factors including, but not limited to: production level, production cost, ore grade, metallurgy and nickel price.

In 2017, the Company made an investment in Welichem Research General Partnership (the "Welichem Partnership"), which operates the business of Welichem Biotech Inc. (the "Welichem"), a research business located in Burnaby, British Columbia.

To address its financing requirements, the Company entered into a Mineral Processing Facilities Lease Agreement ("Lease Agreement") in February 2018 with a third party (the "Lessee"), which granted a right to the Lessee to use the milling facility of the Bucko Lake Mine to process up to 2.1 million tonnes of ore within seven years from the commencement date of the lease. The commencement of the lease was subject to the waiver of feasibility/financing conditions by the Lessee and to maintain its right, the Lessee was required to make certain option payments to the Company. The Lease Agreement was terminated by the Lessee in July 2021.

The Company is currently relying on the support and fundings from the Company's largest beneficiary shareholder and creditor, Hebei Wenfeng Industrial Company Limited ("Hebei Wenfeng"). As at December 31, 2023, the Company had $567,078 cash on hand, which is not sufficient to fund the Company's operational needs for the next 12 months. As a result, the Company needs continued support from Hebei Wenfeng. During the year ended December 31, 2023, the Company received a total of $819,900 from Hebei Wenfeng and repaid $891,132 to Hebei Wenfeng. However, there is no assurance that Hebei Wenfeng will continue to support the Company without any limit. In the event that the Company is not able to secure additional financing and continue as a going concern, material adjustments could be required to be made to the carrying value of assets and liabilities and the statements of financial position classification used.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current operations, including exploration programs, will result in profitable mining operations. The recoverability of the carrying value of exploration and development properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties; the discovery of economically recoverable reserves; the achievement of profitable operations; the ability of the Company to raise additional financing, if necessary; or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

OPERATION REVIEW

Since the Bucko Lake Mine was placed into care and maintenance in 2012, the Company has been focused on safeguarding assets and ensuring environmental compliance while evaluating its options for resuming operations and other corporate strategies.

Excluding the non-cash costs, the costs to run the care and maintenance program were $589,660 and $709,638 in 2023 and 2022, respectively. The decrease is mainly due to lower mine site employee salaries as well as lower environmental costs at the Bucko Lake Mine.

In December 2023, the Company signed an Option Agreement with Cobalt One Energy Corporation ("Cobalt One") and Blackstone Minerals Limited ("Blackstone Minerals") pursuant to which Cobalt One has been granted the exclusive right and option for a 12-month period (the "Option") to purchase CaNickel's 100% owned Bucko Lake Mine Project (the "Project") for total consideration of up to C$80 million.

The Company's interest in the Bucko Lake mining lease is subject to a back-in right held by Glencore Canada Corporation ("Glencore"), formerly Xstrata Nickel Inc. In the event that the Company identifies a new deposit (in addition to the Bucko Lake Mine) with estimated Measured and Indicated resources in excess of 200 million pounds of nickel, Glencore has the right to purchase a 50% interest in the property and to become the operator of the new deposit in consideration for a payment to the Company of an amount equal to the aggregate of all direct expenditures that were incurred by the Company in carrying out mining operations on the Bucko Lake mining lease outside of the Bucko resource block prior to the date of exercise of the back-in right. Accordingly, the potential benefit to the Company of any discovery of a significantly increased deposit will be limited to a 50% interest in the project.

EXPLORATION

Management determined that the carrying value of the TNB properties exceeded its recoverable value and its carrying value was impaired to $nil based on an estimate of fair value less costs of disposal ("FVLVD") as the Company has no plan to carry out further exploration programs at the TNB properties. Expenditures paid to maintain certain claims in good standing were recorded as exploration and evaluation expenses on the statements of income (loss) and comprehensive income (loss).

In 2023, the Company incurred expenditures of $35,685 at the TNB properties (2022 - $28,794).

The Company's 100% interest in the TNB properties is subject to a back-in right whereby, should the Company outline a threshold deposit or deposits (each of which exceed 500 million pounds of nickel in measured and indicated resources), Glencore Canada Corporation ("Glencore") has the right to back into the project for a 50% interest and become the operator of the threshold deposit or deposits by incurring expenditures on the property in an amount equal to two times the aggregate of all expenditures which were incurred by the Company in carrying out mining operations on the property prior to the back-in, provided that if Glencore exercises more than one back-in right, then in calculating the required back-in expenditures for each subsequent back-in right, expenditures relating to any previously exercised back-in right are excluded from such expenditure calculation.

The properties are also subject to underlying agreements, specifically a 2.5% NSR held by Glencore.

INVESTMENT IN ASSOCIATE

The Company owns 10 million Class A Preferred Units and 50% General Units of Welichem Research General Partnership, a technology partnership (the "Welichem Partnership"), which operates the business of Welichem Biotech Inc. ("Welichem"), a Burnaby, British Columbia research business. Welichem owns 10 million Class B Preferred Units and 50% General Units of the Welichem Partnership and is the Managing Partner of the Welichem Partnership. Welichem was amalgamated into its parent company, LJ Resources Co., Ltd. in 2019. The Company uses the equity method to account for its investment in the Welichem Partnership.

In 2023, the Company recorded income of $3,400,794 (2022 – income of $11,729,545) arising from the equity pickup in the Welichem Partnership. A Summary of the investment account is as follows:

As at		**December 31, 2023**		December 31, 2022
Investment amount	**$**	**10,000,000**	$	10,000,000
Accumulated share of income		**48,471,962**		45,071,168
Distribution received		**(58,471,962)**		(54,721,962)
Reclassification of over distribution to accounts payable		**-**		-
Total	**$**	**-**	$	349,206

Summarized financial information of the Welichem Partnership is as follows:

As at or for the year ended		**December 31, 2023**		December 31, 2022
Current assets	**$**	**137,046**	$	59,505
Non current assets		**6,419,060**		8,809,427
Current liabilities		**(1,382,140)**		(25,854)
Net income/Loss		**4,564,262**		24,205,255

RESULTS OF OPERATIONS

<u>Year ended December 31, 2023 (“2023”) vs. Year ended December 31, 2022 (“2022”)</u>

Net loss in 2023 was $7,813,033 compared to loss of $9,441,121 in 2022. The Company’s financial results in 2023 were mainly impacted by: i) the decrease in the income of an associate and ii) lower financing costs.

Revenue in 2023 was $nil, the same as in 2022.

Care and maintenance costs in 2023 were $589,660, down $119,978 compared to $709,638 in 2022. The decrease in costs was due to the Company carrying out less environmental studies and less salary paid for its mine site employee.

Amortization and depreciation expenses in 2023 were $1,069,282, up $107,867 compared to $961,415 in 2022. The Company did not acquire any property, plant and equipment in 2023, and the increase was mainly due to a shorter amortization period for certain assets.

Loss from mine operations in 2023 was $1,658,942, down $12,111 compared to $1,671,053 in 2022.

Finance costs in 2023 were $9,193,327, down $7,371,305 compared to $16,564,632 in 2022. Finance costs primarily included interest expenses of $11,270,979 (2022 - $10,597,993), foreign exchange gain of $2,367,130 (2022 – loss of $5,903,589), and accretion of site closure and reclamation provisions of $289,478 (2022 - $63,050). The decrease in finance costs was mainly due to the increase in interest expenses and the increase in foreign exchange gain recorded in 2023. Foreign exchange gain or loss was mainly due to the revaluation of US dollars against Canadian dollars as significant portions of the outstanding balance of loans and advances from the Company’s shareholder are denominated in US dollars. The interest was mainly associated with the outstanding loans and advances from Hebei Wenfeng.

General and administrative expenses in 2023 was $24,173, up $6,711 compared to $17,462 in 2022.

Exploration and evaluation expense in 2023 was $35,685, compared to $28,794 in 2022. The Company determined that the carrying value of the TNB properties was impaired to $nil. The difference between the expenditures incurred and the government assistance received on the qualified expenditures incurred on the TNB properties was recorded as exploration and evaluation expense or recovery.

Impairment (charges) reversals in 2023 was a reversal of $367,517 compared to impairment charge of $2,473,961 in 2022. The Company engaged an independent firm to reassess the saleable value of the plant, building and equipment used at the Bucko Lake Mine in 2021. There has been no material change since 2021 in regard to these assets.

Legal and professional fees in 2023 was $199,900, up $95,216 compared to $104,684 in 2022. Higher legal and professional fees included legal fees of $134,057 (2022 - $70,342) and accounting fees of $65,843 (2022 - $34,342). The increase in legal fees was the result of the Company entering into an Option Agreement with Cobalt One and Blackstone Minerals.

Other income in 2023 was $Nil, compared to $nil in 2022.

Salaries, consulting and management fees in 2023 was $427,069, up $157,988 compared to $269,081 in 2022. The increase was mainly due to consulting fees paid to the Company's new VP, Corporate Development, who was appointed CEO in November 2023.

Shareholder communications and investor relations in 2023 were $42,248, up $1,249 compared to $40,999 in 2022. Shareholder communications and investor relations include expenses related to regulatory filings, stock exchange listing, annual shareholder meeting, newswire services and investor conferences.

Share of income in associate in 2023 was $3,400,794, compared to $11,729,545 in 2022, representing the equity pickup of the income recorded in the Welichem Partnership. In 2023, the Welichem Partnership received an option income and payment of $3.75 million.

Fourth Quarter ended December 31, 2023 ("Q4 2023") vs. Fourth Quarter ended December 31, 2022 ("Q4 2022")

Net gain in Q4 2023 was $2,729,090, compared to a loss of $4,749,934 in Q4 2022. The increase was mainly due to the increase in share of income in an associate recorded in Q4 2023.

Care and maintenance costs in Q4 2023 were $41,721, compared to $232,682 in Q4 2022. The fluctuation in care and maintenance costs is mainly due to the work involved in ensuring health, safety and environmental compliance at the Bucko Lake mine.

Amortization and depreciation expenses in Q4 2023 were $267,316, compared to $240,349 in Q4 2022. The Company did not acquire any property, plant and equipment in 2023, and the increase was mainly due to a shorter amortization period for certain assets.

Loss from mine operations in Q4 2023 was $309,037, down $163,994, compared to $473,031 in Q4 2022. The decrease was mainly due to less care and maintenances costs, and higher amortization and depreciation expenses in Q4 2023 as discussed above.

Finance items in Q4 2023 were a loss of $792,465 compared to a loss of $1,566,850 in Q4 2022. Finance items primarily included foreign exchange gain of $2,244,178 (Q4 2022 – $1,076,400), interest expenses of $2,982,144 (Q4 2022 - $2,659,783), and accretion of site closure and reclamation provisions of $72,964 (Q4 2022 - $15,890). The foreign exchange gain was mainly due to the revaluation of US dollars against Canadian dollars as significant portions of the outstanding balance of loans and advances from Hebei Wenfeng are denominated in US dollars. The interest was mainly associated to the outstanding loans and advances from Hebei Wenfeng.

General and administrative expenses in Q4 2023 were $5,727, compared to a recovery of $4,031 in Q4 2022.

Impairment (charges) reversals in Q4 2023 was a reversal of $367,517, compared to $2,401,924 in Q4 2022. The Company engaged an independent firm to reassess the marketable value of the plant, building and equipment used at the Bucko Lake Mine in 2021. There has been no material change since 2021 in regard to these assets.

Legal and professional fees in Q4 2023 was $89,365 (Q4 2022 - $49,110), which mainly included legal and audit fee accruals.

Salaries, consulting and management fees during Q4 2023 was $108,500, up $9,500 compared to $99,000 in Q4 2022.

Shareholder communications and investor relations during Q4 2023 were $16,729, compared to $7,437 in Q4 2022. Shareholder communications and investor relations include expenses related to regulatory filings, stock exchange listing, annual shareholder meeting, newswire services and investor conferences.

Share of income(loss) in associate in Q4 2023 was an income of $3,686,701 (Q4 2022 - loss of $134,780), representing the equity pickup of the income recorded in the Welichem Partnership.

QUARTERLY FINANCIAL RESULTS

	Quarters ended			
	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Income (loss) from mine operations	$ (309,037)	$ (458,301)	$ (430,942)	$ (469,662)
Other items	3,038,127	(5,141,018)	(874,946)	(3,167,254)
Net income (loss)	$ 2,729,090	$ (5,599,319)	$ (1,305,888)	$ (3,636,916)
Income (loss) per share - basis and diluted	$ 0.07	$ (0.15)	$ (0.03)	$ (0.10)

	Quarters ended			
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Loss from mine operations	$ (473,031)	$ (402,822)	$ (481,082)	$ (314,118)
Other items	(4,300,626)	3,847,884	(5,816,926)	(1,428,363)
Net income (loss)	$ (4,773,657)	$ 3,445,062	$ (6,298,008)	$ (1,742,481)
Income (loss) per share - basis and diluted	$ (0.13)	$ 0.09	$ (0.17)	$ (0.05)

The fluctuation of US dollars against Canadian dollars has a significant impact on foreign exchange gain or loss, which is included in “other items” as outlined above. The fluctuation of other items is mainly due to the fluctuation of foreign exchange unless otherwise specifically stated.

ANNUAL INFORMATION

	Years ended December 31		
	2023	2022	2021
Total assets	$ 7,002,328	$ 8,087,495	$ 7,726,222
Total liabilities	113,074,488	106,346,622	96,544,228
Shareholders' equity	(106,072,160)	(98,259,127)	(88,818,006)
Dividend declared			-
Loss from mine operations	(1,658,942)	(1,671,053)	(400,679)
Other items	(6,154,091)	(7,770,068)	12,921,160
Net income (loss)	(7,813,033)	(9,441,121)	12,520,481
Loss per share - basis & diluted	$ (0.21)	$ (0.25)	$ 0.33

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2023, the Company had cash of $567,078, up $511,717 compared to $55,361 as at December 31, 2022. The increase in cash position was the result of the Company receiving a non-refundable option fee of $1,167,337 in December 2023 from Blackstone Minerals and its subsidiary, Cobalt One, pursuant to which Cobalt One was granted the exclusive right and option for a 12-month period to purchase the Bucko Lake Mine, including all mineral titles, permits, licences, plant, building and equipment related to the mine. The Company has recorded the amount received of $1,116,338 as deferred income until the performance obligation, to enter into an asset purchase agreement at a future date, has been met.

Cash used in operating activities in 2023 was $1,388,835, up $189,864 compared to $1,198,971 cash used in operating activities in 2022. Before net change in non-cash working capital, cash used in operations was $1,264,734, up $123,302 compared to cash used $1,141,432 in 2022. The increase of cash used in operating activities was mainly due to the lower of share of income from Welichem Partnership.

Cash generated in operating activities in Q4 2023 was $244,760, down $81,621, compared to $326,381 cash used from operating activities in Q4 2022. Before net change in non-cash working capital, cash used in operations was $243,714, compared to $392,342 in Q4 2022.

Cash used in financing activities in 2023 was $2,930,100 compared to $8,581,961 in 2022. In 2023, the Company repaid $71,232 to Hebei Wenfeng and repaid $2,858,868 to LJ Resources.

Cash used in financing activities in Q4 2023 was $750,000, compared to generated $180,000 in Q4 2022. In Q4 2023, the Company repaid $750,000 to Hebei Wenfeng. This amount was repaid using the non-refundable option fee of $1,167,337 that the Company received in December 2023 from Blackstone Minerals and its subsidiary, Cobalt One, pursuant to which Cobalt One was granted the exclusive right and option for a 12-month period to purchase the Bucko Lake Mine, including all mineral titles, permits, licences, plant, building and equipment related to the mine.

Cash from investing activities in 2023 was $4,830,653 compared to $9,693,168 in investing activities in 2022. In 2023, the Company received $3,750,000 distribution from Welichem Partnership (2022 - $9,721,962), spent $35,685 at TNB properties to maintain certain mineral claims in good standing (2022 – used $28,794), and received from mineral option payment of $1,116,338 (2022- $Nil).

Cash used in investing activities in Q4 2023 was $3,305 compared to $5,071 used in Q4 2022. In Q4 2023, the Company received $nil distribution from Welichem Partnership (Q4 2022 - $2,778,038).

Working capital as at December 31, 2023, was a deficit of $103,909,959 compared to a deficit of $97,437,375 as at December 31, 2022. Excluding the loans and advances from Hebei Wenfeng, the working capital as at December 31, 2023, was a deficit of $755,212 (December 31, 2022 – deficit of $274,692).

Shareholder's equity as at December 31, 2023 was a deficit of $106,072,160 (December 31, 2022 – deficit of $98,259,127). The increase in equity deficit was mainly due to additional loss recorded. The Company did not carry out any equity financing in 2023 and 2022.

The estimated cash outflow based on the Company's contractual obligations and assuming Hebei Wenfeng calls upon its debt as at December 31, 2023 was $103,154,747 and was due within one year. Accordingly, additional financing is required for the Company to continue as a going concern.

The Company is currently relying on the support and fundings from the Company’s largest beneficiary shareholder and creditor, Hebei Wenfeng.

In the event that Hebei Wenfeng discontinues its support or demands repayments, the Company might not be able to raise enough funds to continue as a going concern, and material adjustments would be required to the carrying value of assets and liabilities and the classification presented on the statement of financial position.

The Company's current objective when managing its capital is to safeguard its assets, carry out the care and maintenance program at its Bucko Lake Mine and to ensure continued environmental compliance.

FAIR VALUE MEASUREMENTS

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect estimates.

Management has assessed that the fair value of cash and accounts payables approximates their carrying amounts largely due to the short-term maturities of these instruments.

The following table provides the quantitative disclosures of the fair value measurement hierarchy of the Company's financial assets and liabilities measured on a recurring basis.

	December 31, 2023			December 31, 2022		
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets and liabilities measured at fair value						
Cash	**$ 567,078**	**$ -**	**$ -**	$ 55,361	$ -	$ -

There was no transfer between fair value levels during the reporting period.

RISK AND UNCERTAINTIES

The Company manages its exposure to key financial risk in accordance with the Company's financial risk management framework. The objective of the framework is to protect the Company's future financial security. The main risks that could adversely affect the Company's financial assets, liabilities or future cash flows are: liquidity risk; credit risk; and market risk, comprising of foreign exchange rate risk, interest rate risk and metal price risk. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis. Currently, the Company does not apply any form of hedge accounting.

Management constantly monitors and assesses the fluctuation of the nickel price and US dollars. The Company does not have any off-balance sheet arrangements or commitments that are expected to have a current or future effect on its financial condition or results of operations, other than those disclosed in this MD&A and the audited financial statements for the year ended December 31, 2023 and the related notes.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk primarily associated to cash. The carrying value of financial assets represents the maximum credit exposure.

The Company undertakes credit evaluations on counterparties as necessary and has monitoring processes intended to mitigate credit risks.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through regular forecasting and the management of its capital structure. As at December 31, 2023, the Company has limited funds to meet its short-term financial liabilities, and the working capital, net of $103,154,747 loans and advances from a shareholder, was in a deficit position of $755,212. Accordingly, additional financing is required for the Company to continue as a going concern.

Based on the contractual obligations of the Company as at December 31, 2023, cash outflow of those obligations based on contractual undiscounted payments, are estimated and summarized as follows:

Contractual Obligations	Payment Due by Period			
	Less than 1 year	1 - 3 years	After 3 years	Total
Accounts payable and accrued liabilities	$ 213,386	$ -	$ -	$ 213,386
Loans and advances from a shareholder	103,154,747	-	-	103,154,747
Total Contractual Obligations	**$ 103,368,133**	**$ -**	**$ -**	**$ 103,368,133**

c) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and commodity price risk. Financial instruments affected by market risk include cash, receivables, accounts payable and accrued liabilities, and loans and advances from a shareholder.

i) Interest rate risk

The Company has cash subject to fluctuations in interest rates. The Company's current policy is to invest excess cash in short-term deposits issued by financial institutions. As at December 31, 2023, the Company had $100 million in loans payable bearing a fixed coupon rate of 12% per annum. Due to the financial condition of the Company and the nature of the loans, which are owed to the largest shareholder of the Company, its fair value may not be reasonably estimated, and therefore the impact on the fair value of loans arising from the change of interest rate may not be reasonably estimated. Currently, the Company does not hedge against interest rate risk.

ii) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company is exposed to foreign exchange risk as a result of some financing activities being denominated in US dollars. As at December 31, 2023, the following financial assets and liabilities are denominated in US Dollars.

Expressed in Canadian dollar equivalents	**December 31, 2023**	December 31, 2022
Financial assets denominated in US Dollars		
Cash	**$ 6,155**	$ 6,735
	6,155	6,735
Financial liabilities denominated in US Dollars		
Loans and advances from a shareholder	**100,085,979**	91,212,221
	$ 100,085,979	$ 91,212,221
Net Liabilites	**$ 100,079,824**	$ 91,205,486

Based on the financial assets and liabilities denominated in US dollars as at December 31, 2023, every 5% strengthening in US dollars would increase net loss by $5,003,991 (December 31, 2022 - $4,560,274). The Company currently has not entered into any agreement to hedge the foreign exchange risk.

iii) Commodity price risk

The Company is exposed to price risk with respect to commodity prices, mainly nickel prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken. Prices fluctuate on a daily basis and are affected by numerous factors beyond the Company’s control. The supply and demand for nickel, the level of interest rates, the rate of inflation, investment decisions by large holders of nickel and stability of exchange rates can all cause significant fluctuations in nickel prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments.

In July 2012, the Company suspended its mining operation due to unfavourable nickel prices. As at December 31, 2023, the Company has no nickel sales receivable, forward sales contracts or call options outstanding. Changing commodity prices would not have any significant impact on the financial position of the Company. However, changes in the nickel price would have a significant impact on the estimation of the fair value of the Company's mineral properties.

d) Environmental risk

The Company's activities are subject to extensive laws and regulations governing environmental protection and employee health and safety in Canada. These laws address emissions into the air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species, and reclamation of lands disturbed by mining operations.

The Company's Bucko Lake Mine has been placed on care and maintenance since 2012. During the care and maintenance period, the Company is required to maintain active environmental monitoring at the Bucko Lake Mine to comply with all requirements of federal and provincial rules related to mining operations. If the Company fails to comply with those requirements, the Company could be subject to significant fines and penalties, and the Bucko Lake Mine could be required to be reclaimed immediately.

In 2021, the Company was charged $200,000 in fines for offences under the Fisheries Act (Canada) for an alleged "deposit of deleterious substances and an alleged failure to collect acute lethality samples" at the Bucko Lake Mine in 2017. The fine has been paid over four instalment payments of $50,000 every six months beginning on March 14, 2022. In 2022, the Company also reassessed the closure and reclamation obligation related to the Bucko Lake Mine, and the undiscounted obligation increased to $14,632,558 from $6,548,404 as at December 31, 2022. There has been no change to this estimation in 2023.

Environmental legislation is evolving, and the trend has been toward stricter standards and enforcement; increased fines and penalties for non-compliance; more stringent environmental assessments of proposed projects; and increasing responsibility for companies and their officers, directors and employees. Compliance with environmental laws and regulations may require significant capital outlays on behalf of the Company and may cause material changes or delays in the Company's intended activities. There can be no assurance that the Company has been, or will be at all times, in complete compliance with current and future environmental, health and safety laws and permits will not materially adversely affect the Company's business, results of operations or financial condition. It is possible that future changes in these laws or regulations could have a significant adverse impact on some portion of the Company's business, causing the Company to re-evaluate those activities at that time. The Company's compliance with environmental laws and regulations entails uncertain cost.

e) Cybersecurity Risks

The Company is subject to cybersecurity risks including, without limitation: unauthorized access to privileged information and risks related to the destruction of data or the disabling, degrading or sabotaging of the Company's systems, including through the introduction of computer viruses. Although the Company takes steps to secure configurations and manage information systems, including, without limitation, computer systems, internet sites, emails and other telecommunications, and financial/geological data, there can be no assurance that measures the Company takes to ensure the integrity of its systems will provide protection, especially because cyberattack techniques used change frequently or are often not recognized until successful. The Company has not experienced any material cybersecurity incidents in the past, but there can be no assurance that the Company would not experience the same in the future. If the Company's systems are compromised, do not operate properly or are disabled, the Company could, among other things, suffer financial loss, disruption of business, loss of geological data which could affect its ability to conduct effective mine planning and accurate mineral resource estimates. Loss of financial data could also affect the Company's ability to provide accurate and timely financial reporting.

f) General Economic Conditions

General economic conditions may adversely affect the Company's operations and ability to obtain financing. Events in global financial markets over the past several years have had a profound impact on the global economy. Many industries, including the nickel mining industry have been, and continue to be, impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations, high volatility in global equity, commodity, foreign exchange and precious metal markets and a lack of market confidence and liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates and tax rates, may adversely affect the Company's operation and ability to obtain financing.

RELATED PARTY TRANSACTIONS

Related party transactions were measured at fair value. Related party transactions not disclosed elsewhere include the following:

Transactions with key management

The Company has identified its directors and certain senior officers as its key management personnel. The compensation cost for key management personnel, including fees paid or payable to companies controlled by key management personnel, is as follows:

	Year ended December 31,	
	2023	2022
Salaries and fees	**$ 426,500**	$ 263,000
	$ 426,500	$ 263,000

Transactions with Hebei Wenfeng

		Interest bearing loans		Non interest bearing advances		Total
As at December 31, 2021	$	87,242,630	$	2,000,000	$	89,242,630
Interest accrued		10,565,570		-		10,565,570
Additions		-		1,140,000		1,140,000
Repayments		(12,500,000)		–		(12,500,000)
Foreign exchange		5,904,021		-		5,904,021
As at December 31, 2022		91,212,221		3,140,000		94,352,221
Interest accrued		11,241,037		-		11,241,037
Additions		-	-	71,232	-	71,232
Foreign exchange		(2,367,279)		-		(2,367,279)
As at December 31, 2023	**$**	**100,085,979**	**$**	**3,068,768**	**$**	**103,154,747**

All loans and advances are unsecured, due on demand and payable to Hebei Wenfeng.

i) Interest-bearing loans

In May 2011, the Company arranged a one-year term unsecured debt facility of up to US$5 million (the “Loan”) with Hebei Wenfeng. The Loan was drawn down at the option of the Company and bears interest at 10% per annum. The Company was also required to pay 2% of any funds drawn down under the Loan as a structuring fee to Hebei Wenfeng. Principal, interest and structure fees are payable upon maturity. The Loan was subsequently extended to a three-year term but expired on May 28, 2014 and became payable on demand.

In July 2011, the Company entered into an unsecured debt facility of up to US$15 million with Luckyup, an arm's-length party based in Hong Kong. In December 2011, this debt facility was increased to US$25 million. This debt facility was drawn down at the option of the Company and bears interest of 12% per annum. Principal and interest are payable upon maturity. In March 2012, this debt facility was extended from a one-year term to a three-year term but expired on July 22, 2014. In October 2014, Hebei Wenfeng and Luckyup entered into an Assignment Agreement that Luckyup assigned and transferred its right and interest in this debt facility to Hebei Wenfeng. Immediately after this Assignment Agreement, Hebei Wenfeng waived a total interest of US$3.5 million accrued on the above interest-bearing loans and became the only interest-bearing loan creditor.

The Company repaid $7,882,745 to Hebei Weifeng in 2021, and $12.5 million in August 2022.

As at December 31, 2023, the total outstanding balance, including interest accretion, of the interest-bearing loans was $100,085,980 (US$75,673,658) (2022 - $91,212,221 (US$67,345,113).

In 2023, a total of $11,241,037 interest expense (2022 - $10,565,570) and $2,367,279 foreign exchange gain (2022 – loss of $5,904,021), respectively, were recorded arising from the US dollar denominated interest-bearing loans.

ii) Non-interest-bearing advances

Due to the financial condition of the Company, Hebei Wenfeng has advanced funds from time to time to the Company to support the Company’s operation. In 2023, the Company repaid $71,232 to Hebei. As at December 31, 2023, the outstanding balance of the advances from Hebei Wenfeng was $3.07 million (2022 - $3.14 million).

The advances bear no interest.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the financial statements in conformity with IFRS requires management to make adjustments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the financial statements. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events, which are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In particular, the Company has identified the following areas where significant judgment, estimates and assumptions are required. Changes in these assumptions may materially affect the financial position or financial results reported in future periods. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements.

Going concern

Management has determined that the Company will be able to continue as a going concern for the foreseeable future and realize its assets and discharge its liabilities and commitments in the normal course of business, and therefore, these financial statements have been prepared on a going concern basis and do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

The business of exploring and mining for minerals involves a high degree of risk and there can be no assurance that current operations, including exploration programs, will result in profitable mining operations. The recoverability of the carrying value of mineral properties, plant and equipment and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Due to unfavorable nickel prices, the Company's Bucko Lake Mine was placed on care and maintenance in July 2012. Since then, the Company's main objective has been focused on carrying out minimum exploration work and running the care and maintenance program at the Bucko Lake Mine to safeguard assets.

To address its financing requirements, the Company entered into a Mineral Processing Facilities Lease Agreement ("Lease Agreement") with a third party (the "Lessee") in February 2018 which grants a right to the Lessee to use the milling facility of Bucko Lake Mine to process up to 2.1 million tonnes of ore within seven years from the commencement date of the lease. The commencement of the lease was subject to the waiver of feasibility/financing conditions by the Lessee and to maintain its right, the Lessee was required to make certain option payments to the Company. During the nine months ended September 30, 2021, the Company received option payments of $560,000 from the Lessee. However, the Lease Agreement was terminated by the Lessee in July 2021.

As a result of recent increases in the nickel price, the Company has been evaluating options to bring the Bucko Lake Mine back into operation. However, whether the Company has the ability to resume mining operations is uncertain.

As at December 31, 2023, the outstanding balance of loans owed to Hebei Wenfeng was $100,085,980; however, the Company only has $567,078 cash on hand, which is not sufficient to fund the Company's operational needs for the next 12 months. As a result, the Company continues to rely on the support and fundings from Hebei Wenfeng. The Company also has a cumulative deficit of $325,898,159 and a working capital deficiency of $103,909,959 as at December 31, 2023. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. In the event that Hebei Wenfeng discontinues its support and calls its demand loans and advances, the Company would not be able to continue as a going concern and material adjustments could be required to the carrying value of assets and liabilities and the statements of financial position classification used.

Control and significant influence

The Company consolidates all entities which have been determined as being controlled by the Company. Control is evaluated on the ability of the Company to direct the activities of an entity to derive variable returns and management uses judgment in determining whether control exists. Judgment is exercised in the evaluation of the variable returns and in determining the extent to which the Company has the ability to exercise its power to generate variable returns.

The Company applies the equity method to account for its investments when the Company determines that it has significant influence in the investees. Significant influence is the power to participate in the financial and operating policy decision of the investee but not control of those policies. Management uses judgment in determining whether significant influence exists. Judgment is exercised in the evaluation of its voting power and potential voting rights by examining all facts and circumstance in determining its powers to participate in the financial and operating policy decisions of an investee.

Site closure and reclamation provision

The Company assesses its site closure and reclamation provisions at each reporting date. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate amount payable. These factors include estimates of the extent, cost and timing of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the changes of inflation rate and discount rates. These uncertainties may result in future expenditure differing from the amounts currently provided. The provision at the reporting date represents management’s best estimate of the present value of the future reclamation costs required.

Impairment of assets

The Company assesses each asset or cash generating unit (“CGU”) at each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirement, closure and rehabilitation costs, exploration potential, and reserves. Therefore, there is the possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account.

Cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money, and the risks specific to the asset or CGU. When a discounted cash flow technique is not practical, estimated net sellable value of each piece of property, plant and equipment is used for the recoverable estimate. Management has assessed its CGUs as being an individual mine site, which is the lowest level for which cash inflows are largely independent of those of other assets or CGUs. Given there are no plans to resume the mining operations, the recoverable amount of plant and equipment at Bucko Lake has been determined based on the value that could be recovered through an orderly sales process. As for the TNB properties, management deemed it prudent to write off its carrying value by reference to current nickel prices, previous operating costs, known mineral resources, and the likelihood of finding a buyer or partner to advance the project.

Recoverability of deferred tax assets:

In assessing the probability of realizing income tax assets to be recognized, the Company makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, the Company gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Recoverability of investment in associate

The determination of when an investment is impaired requires significant judgement. In making this judgment, the Company evaluates, amongst other things, the duration and extent to which the fair value of the investment is less than its carrying value at each reporting date.

Contingencies

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

CHANGE IN ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS

A summary of significant accounting policies are disclosed on note 2 to the audited financial statements for the year ended December 31, 2023.

The accounting standards and interpretations have been published that are not mandatory for the current period and have been early adopted. These standards are not expected to have a material impact on the Company.

CONTINGENCIES AND LEGAL MATTERS

In 2017, the Company was charged with offences under the Fisheries Act (Canada) for certain alleged infractions at the Bucko Lake Mine. In 2022, the Company pleaded guilty and accepted a total fine of $200,000, which was to be paid in four instalments of $50,000 every six months. The first and second instalments totaling $100,000 were paid in 2022, and the third and fourth instalments totaling $100,000 were paid in 2023.

OUTSTANDING SHARE DATA

As at the date of this report, a total of 37,520,369 common shares of the Company were issued and outstanding. No common shares are reserved, and no Class A and Class B preferred shares are issued and outstanding.

OFF BALANCE SHEET ITEMS

There are no off-balance sheet items.

PROPOSED TRANSACTIONS

There are no proposed assets or business acquisition or disposition.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

(a) capitalized or expensed exploration and development costs;

The required disclosure is presented on note 7 to the audited financial statements for the year ended December 31, 2022.

(b) expense research and development costs;

Not applicable.

(c) deferred development costs;

Not applicable.

(d) general and administrative expenses;

This required disclosure is presented on audited financial statements of loss and comprehensive loss for the year ended December 31, 2023.

(e) any material costs, whether capitalized, deferred or expensed, not referred to in (a) through (d);

None

END OF THIS REPORT