



# CaNickel Mining Limited

[www.canickel.com](http://www.canickel.com)

## CONDENSED INTERIM FINANCIAL STATEMENTS

*March 31, 2024*

*(Unaudited)*

**NOTES TO READER**

These unaudited condensed interim financial statements of CaNickel Mining Limited (the “Company”), for the three months ended March 31, 2024, have been prepared by management of the Company and have not been reviewed by the Company’s independent auditors. Therefore, they should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2023, which are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

**Condensed Interim Statements of Financial Position**  
**( Unaudited - Expressed in Canadian Dollars)**

As at	Notes	March 31, 2024	December 31, 2023
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 429,429	\$ 567,078
Receivables and prepaid expenses	5	15,456	7,434
		<b>444,885</b>	574,512
<b>Non-Current</b>			
Mineral properties, plant and equipment	4	3,627,055	3,890,442
Other non-current assets	8	2,537,374	2,537,374
		<b>\$ 6,609,314</b>	<b>\$ 7,002,328</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		\$ 221,003	\$ 213,386
Deferred income	4	1,116,338	1,116,338
Loans and advances from a shareholder	7	108,820,521	103,154,747
		<b>110,157,862</b>	104,484,471
<b>Non-Current</b>			
Site closure and reclamation provisions	8	8,660,262	8,590,017
		<b>118,818,124</b>	113,074,488
<b>SHAREHOLDERS' DEFICIENCY</b>			
Share capital	9	186,952,654	186,952,654
Contributed surplus		32,873,345	32,873,345
Accumulated deficit		(332,034,809)	(325,898,159)
		<b>(112,208,810)</b>	<b>(106,072,160)</b>
		<b>\$ 6,609,314</b>	<b>\$ 7,002,328</b>

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

“Wenfeng Liu”, Director

“Kevin Zhu”, Director

**Statements of Income (Loss) and Comprehensive Income (Loss)****(Expressed in Canadian Dollars, except share data)**

	Notes	Three months ended March 31,	
		2024	2023
Revenue		\$ 11,200	\$ -
Care and maintenance costs		(57,761)	(202,337)
Amortization and depreciation		(263,387)	(267,325)
<b>Loss from mine operations</b>		<b>(309,948)</b>	<b>(469,662)</b>
Finance costs	3,7	(5,735,856)	(2,634,985)
General and administration		(5,054)	(7,481)
Exploration and evaluation expenses	4	(25,496)	(29,690)
Impairment (charges) reversals		-	-
Legal and professional fees		(30,000)	(20,294)
Bank interest		3,371	-
Salaries, consulting and management fees	10	(25,500)	(107,569)
Equity loss in associate	6	-	(349,206)
Shareholder communications and investor relations		(8,167)	(18,029)
<b>Net loss and comprehensive loss for the period</b>		<b>(6,136,650)</b>	<b>(3,636,916)</b>
Loss per share - basic & diluted		\$ (0.16)	\$ (0.10)
Weighted average number of shares - basic & diluted		37,520,369	37,520,369

## Condensed Interim Statements of Changes in Shareholders' Deficiency

( Unaudited - Expressed in Canadian Dollars, except share data)

	Common Shares		Contributed Surplus	Accumulated Deficit	Total Deficiency
	Number of shares issued	Amount			
As at January 1, 2023	37,520,369	\$ 186,952,654	\$ 32,873,345	\$ (318,085,126)	\$ (98,259,127)
Loss for the period	-	-	-	(3,636,916)	(3,636,916)
As at March 31, 2023	37,520,369	186,952,654	32,873,345	(321,722,042)	(101,896,043)
Loss for the period	-	-	-	(4,176,117)	(4,176,117)
As at December 31, 2023	37,520,369	186,952,654	32,873,345	(325,898,159)	(106,072,160)
Loss for the period	-	-	-	<b>(6,136,650)</b>	(6,136,650)
<b>As at March 31, 2024</b>	<b>37,520,369</b>	<b>\$ 186,952,654</b>	<b>\$ 32,873,345</b>	<b>\$ (332,034,809)</b>	<b>\$ (112,208,810)</b>

The accompanying notes form an integral part of these unaudited condensed interim financial statements

## Condensed Interim Statements of Cash Flows

( Unaudited - Expressed in Canadian Dollars)

	Notes	Three months ended March 31,	
		2024	2023
<b>OPERATING ACTIVITIES:</b>			
Net loss for the year		\$ (6,136,650)	\$ (3,636,916)
Items not affecting cash:			
Accretion of site closure and reclamation provisions	3,8	70,245	71,378
Depreciation and amortization		263,387	267,325
Unrealized foreign exchange expense (gain)	3,7	2,652,656	(72,726)
Interest expenses accrued	3,7	3,013,118	2,636,333
Exploration and evaluation expenses	4	25,496	29,690
Share of loss in associate	6	-	349,206
Net change in non-cash working capital	13	(405)	(9,632)
		<b>(112,153)</b>	<b>(365,342)</b>
<b>FINANCING ACTIVITIES:</b>			
Advance from a shareholder	7	-	380,000
		-	380,000
<b>INVESTING ACTIVITIES:</b>			
Mineral properties, plant, and equipment	4	(25,496)	(29,690)
		<b>(25,496)</b>	<b>(29,690)</b>
<b>CHANGE IN CASH</b>		<b>(137,649)</b>	<b>(15,032)</b>
<b>CASH, beginning of period</b>		<b>567,078</b>	<b>55,361</b>
<b>CASH, end of period</b>		<b>\$ 429,429</b>	<b>\$ 40,329</b>
<b>SUPPLEMENTAL INFORMATION</b>			
Interest paid		\$ -	\$ -
Income taxes paid		\$ -	\$ -

The accompanying notes form an integral part of these unaudited condensed interim financial statements

# CANICKEL MINING LIMITED

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian Dollars, except share data and otherwise stated)

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### 1. CORPORATE INFORMATION

CaNickel Mining Limited ("CaNickel" or "the Company") is a Canadian resource company focused on the care and maintenance of its 100% owned Bucko Lake Mine and nickel sulphide 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 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 running the care and maintenance program at the Bucko Lake Mine to safeguard assets.

In 2017, the Company made an investment in the Welichem Research General Partnership (the "Welichem Partnership"), which operates the business of LJ Resources Co. Ltd. (formerly Welichem Biotech Inc., "LJ Resources"), a research business located in Burnaby, British Columbia. In 2018, to offset costs of the care and maintenance, the Company entered into an arrangement to provide an option to a third party to lease its Bucko Lake Mine mill facilities. This arrangement was terminated in July 2021.

In December 2023, the Company signed an option agreement with Blackstone Minerals Limited ("Blackstone Minerals"), a publicly listed company in Australia, and its subsidiary, Cobalt One Energy Corporation ("Cobalt One"), pursuant to which Cobalt One was granted the exclusive right and option for a 12-month period (the "Option") to purchase CaNickel's Bucko Lake Mine and associated assets (note 6).

### 2. BASIS OF PREPARATION

#### a) Statement of Compliance

These unaudited condensed interim financial statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB have been condensed or omitted and these unaudited condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2023.

The Company's interim results are not necessarily indicative of its results for a full year.

These condensed interim financial statements were authorized for issuance in accordance with a resolution of the Board of Directors on May 28, 2024.

#### b) Basis of Measurement

The accounting policies applied in preparation of these financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended December 31, 2023.

These financial statements have assumed that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation, and therefore, these financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. However, the Company has incurred significant losses and negative working capital, which 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 the Company is not able to secure additional financing and continue as a going concern, material adjustments would be required to be made to the carrying value of assets and liabilities and the balance sheet classification used.

The Company is currently relying on the support and funding from the Company's largest beneficiary shareholder and creditor, Hebei Wenfeng Industrial Company Limited ("Hebei Wenfeng"). As at March 31, 2024, the Company has \$429,429 cash on hand, which is not sufficient to fund the Company's operational needs for the next 12 months. The Company will need continued

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support from 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.

**3. FINANCE COSTS**

Finance costs comprise the following:

	Three months ended March 31,	
	2024	2023
Accretion for site closure and reclamation provision	\$ 70,245	\$ 71,378
Foreign exchange loss (gain)	9 2,652,493	(72,726)
Interest expense	9 3,013,118	2,636,333
	<b>\$ 5,735,856</b>	<b>\$ 2,634,985</b>

**4. MINERAL PROPERTIES, PLANT AND EQUIPMENT**

	Bucko Lake Mine				Total
	Exploration and evaluation expenditure	Mineral property acquisition and development	Plant, building and equipment		
Cost					
As at December 31, 2022	\$ 23,587,522	\$ 99,256,989	\$ 77,811,040	\$	200,655,551
Additions	-	-	-	-	-
Adjustments to reclamation provision	-	-	(157,508)	-	(157,508)
As at December 31, 2023	23,587,522	99,256,989	77,653,532	-	200,498,043
Additions	-	-	-	-	-
Adjustments to reclamation provision	-	-	-	-	-
<b>As at March 31, 2024</b>	<b>\$ 23,587,522</b>	<b>\$ 99,256,989</b>	<b>\$ 77,653,532</b>	<b>\$</b>	<b>200,498,043</b>

	Exploration and evaluation expenditure	Mineral property acquisition and development	Plant, building and equipment	Total
Accumulated depreciation, depletion, amortization, and impairment				
As at December 31, 2022	\$ 23,587,522	\$ 99,256,989	\$ 72,693,808	\$ 195,538,319
Depreciation, depletion and amortization	-	-	1,069,282	1,069,282
Impairment	-	-	-	2,473,961
As at December 31, 2023	23,587,522	99,256,989	73,763,090	196,607,601
Depreciation, depletion and amortization	-	-	263,387	263,387
Impairment	-	-	-	-
<b>As at March 31, 2024</b>	<b>\$ 23,587,522</b>	<b>\$ 99,256,989</b>	<b>\$ 74,026,477</b>	<b>\$ 196,870,988</b>

	Exploration and evaluation expenditure	Mineral property acquisition and development	Plant, building and equipment	Total
Net book value				
As at December 31, 2023	\$ -	\$ -	\$ 3,890,442	\$ 3,890,442
<b>As at March 31, 2024</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,627,055</b>	<b>\$ 3,627,055</b>



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The Bucko Lake Mine, located near the town of Wabowden, Manitoba, first declared commercial production in 2009, but has been placed on care and maintenance due to unfavourable nickel prices since July 2012.

In 2018, the Company entered into a Mineral Processing Facilities Lease Agreement (“Lease Agreement”), subsequently amended, 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 certain payments prior to the commencement date and the waiver of feasibility/financing conditions by the Lessee. The Lease Agreement was terminated in July 2021, and the termination of the Lease Agreement created an indicator of impairment for the Company’s property, plant and equipment. Management engaged an independent equipment specialist to assess the recoverable value of the plant, building and equipment used at the Bucko Lake Mine, using a fair value less costs to sell model (“FVLCD”), which resulted in a further impairment of the plant, building and equipment at the Bucko Lake Mine. The recoverable value assessment is considered a Level 3 fair value assessment.

In December 2023, the Company signed an option agreement with 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. As consideration for the Option, the Company was paid a non-refundable option fee of \$1,167,337 by Cobalt One. The option period may be extended for up to three successive 30-day periods with a payment of \$180,000 for each 30-day extension. Upon exercise of the option, the Company and Cobalt One will enter into an asset purchase agreement where Cobalt One is required to pay further cash proceeds of up to \$69 million and shares of Blackstone valued at \$10 million over a period of time. 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.

During the three months ended March 31, 2024, the Company incurred care and maintenance costs of \$57,761 at Bucko Lake Mine (same prior year period - \$202,337).

During the three months ended March 31, 2024, the Company incurred expenditures of \$25,496 at TNB properties (same prior year period - \$29,690).

**5. RECEIVABLES AND PREPAID EXPENSES**

Receivables and prepaid expenses comprise the following:

	<b>March 31, 2024</b>	December 31, 2023
Taxes receivable	\$ 9,498	\$ 18,388
Prepaid	<b>5,958</b>	<b>9,934</b>
	<b>\$ 15,456</b>	<b>\$ 28,322</b>

**6. 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”). LJ Resources amalgamated with Welichem Biotech Inc., a Burnaby, British Columbia research business, in 2023. LJ Resources owns 10 million Class B Preferred Units and 50 General Units of the Welichem Partnership. The Company uses the equity method to account for its investment in the Welichem Partnership.

During the three months ended March 31, 2024, the Company recorded \$nil from the equity pickup in the Welichem Partnership (three months ended March 31, 2023 – \$349,206). A summary of the investment account is as follows:

**CANICKEL MINING LIMITED****NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars, except share data and otherwise stated)

As at		March 31, 2024	December 31, 2023
Investment amount	\$	10,000,000	\$ 10,000,000
Accumulated share of income		48,471,962	48,471,962
Distribution received		(58,471,962)	(58,471,962)
Total	\$	-	\$ -

**7. LOANS AND ADVANCES FROM A SHAREHOLDER**

	Interest bearing loans	Non interest bearing advances	Total
As at December 31, 2022	\$ 91,212,221	\$ 3,140,000	\$ 94,352,221
Interest accrued	11,241,037	-	11,241,037
Additions	-	-	-
Repayments	-	(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
Interest accrued	3,013,118	-	3,013,118
Additions	-	-	-
Foreign exchange	2,652,656	-	2,652,656
<b>As at March 31, 2024</b>	<b>\$ 105,751,753</b>	<b>\$ 3,068,768</b>	<b>\$ 108,820,521</b>

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

**(a) 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 structuring 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 whereby 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.

As at March 31, 2024, the total outstanding balance of interest-bearing loans from Hebei Wenfeng, including interest accretion and foreign exchange impact, was \$105,751,753 or US\$77,907,583 (December 31, 2023 - \$100,085,979 or US\$75,673,658).

For the three months ended March 31, 2024, a total of \$3,013,118 interest expenses (same period last year quarter - \$2,615,543) and \$2,652,655 foreign exchange loss (same period last year quarter – gain of \$72,726), respectively, were recorded arising from the US dollar denominated interest-bearing loans.

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(Unaudited - Expressed in Canadian Dollars, except share data and otherwise stated)

(b) Non-interest-bearing advances

Due to the financial condition of the Company, Hebei Wenfeng advances funds, from time to time, to the Company to support the Company's operations. As at March 31, 2024, the outstanding balance of advances from Hebei Wenfeng was \$3,068,768 (December 31, 2023 - \$3,068,768).

The advances bear no interest and are due on demand.

**8. SITE CLOSURE AND RECLAMATION PROVISIONS**

		March 31, 2024		December 31, 2023
Balance, beginning of year	\$	8,590,017	\$	8,825,564
Accretion		70,245		289,478
Change in estimates		-		(525,025)
<b>Balance, end of period</b>	<b>\$</b>	<b>8,660,262</b>	<b>\$</b>	<b>8,590,017</b>

The site closure and reclamation provision represent the present value of reclamation costs related to the Bucko Lake Mine. These provisions have been created based on the Company's estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual reclamation costs will ultimately depend upon future market prices for the necessary reclamation works required that will reflect market conditions at the relevant time.

In March 2021, the Company paid \$2 million to the Government of Manitoba as a reclamation deposit for the Company's Bucko Lake Mine. As at March 31, 2024, a total of \$2,537,374 in reclamation deposits were paid in accordance with the requirements of the Government of Manitoba. These funds are not available to finance the Company's day-to-day operations and are recorded as non-current assets on the statements of financial positions.

**9. SHARE CAPITAL**

(a) Authorized

Unlimited common shares without par value.

Unlimited Class A and Class B preferred shares without par value.

No Class A and Class B preferred shares are issued and outstanding.

No common shares were reserved during the periods reported.

No shares were issued during the periods reported.

(b) Stock Options

The Company has a stock option plan designed to encourage directors, officers, employees and consultants of the Company to have equity participation in the Company through the acquisition of common shares. The Company may issue options to purchase common shares equal to 10% of the issued and outstanding common shares of the Company. Options are non-transferable, non-assignable and may be granted for a term not exceeding five years. The exercise price of the options and vesting provisions, if any, are fixed by the Board of Directors of the Company at a price not below the market price of the common shares at the time of grant, subject to all applicable regulatory requirements. There are no cash settlement alternatives.

No options were granted during the period reported and no options remained outstanding as at March 31, 2024 and December 31, 2023.

**10. RELATED PARTY TRANSACTIONS**

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Related party transactions are measured at fair value. Related party transactions with Hebei Wenfeng, the largest shareholder of the Company, are disclosed in note 7 above.

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 company controlled by key management personnel, is as follows:

	Three months ended March 31,	
	2024	2023
Salaries and fees	\$ 25,500	\$ 107,000
	\$ 25,500	\$ 107,000

**11. FAIR VALUE MEASUREMENT AND FINANCIAL INSTRUMENTS**

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, which include 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.

a) Fair value

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 assessed that the fair value of cash, trade receivable, and trade payables approximate their carrying amounts largely due to the short-term maturities of these instrument.

Fair value of the loans and advance from shareholder(s) could be materially less than its carrying amount as the terms of the loans and advance from shareholder(s) do not represent terms that the Company could obtain on similar loans with arm's length parties. Accordingly, the fair value of these loans would differ from the current book value. Due to the Company's credit risk, it is unrealistic to expect an arm's-length third party to provide an equivalent level of debt financing, or at least the terms on which such funding would be made available is undeterminable. Accordingly, the fair value of these loans has not been disclosed as a reasonable estimate cannot be made. For all other current assets and liabilities, book value approximates fair value.

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

	March 31, 2024			December 31, 2023		
	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)
<b>Financial assets and liabilities measured at fair value</b>						
Cash	\$ 429,429	\$ -	\$ -	\$ 567,078	\$ -	\$ -

b) 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 accounts receivable and cash. The carrying value of financial assets represents the maximum credit exposure.

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The Company undertakes credit evaluations on counterparties as necessary and has monitoring processes intended to mitigate credit risks. There are no amounts in receivables which are past due at March 31, 2024 (December 31, 2022 - \$nil) for which no provision is recognized.

c) 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 March 31, 2024, the Company has limited funds to meet its short-term financial liabilities, and the working capital, excluding \$108,820,521 in loans and advances from shareholder, was in a deficit position of \$892,456. Accordingly, additional financing is required for the Company to continue as a going concern.

Based on the contractual obligations of the Company as at March 31, 2024, 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	\$ 221,003	\$ -	\$ -	\$ 221,003
Loans and advances from a shareholder	108,820,521	-	-	108,820,521
<b>Total Contractual Obligations</b>	<b>\$ 109,041,524</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 109,041,524</b>

d) 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 March 31, 2024, the Company had \$105.8 million loans payable to Hebei Wenfeng, bearing fixed coupon rates of 12% per. Due to the financial conditions 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 March 31, 2024, the following financial assets and liabilities are denominated in US Dollars.

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Expressed in Canadian dollar equivalents	<b>March 31, 2024</b>		December 31, 2023	
<b>Financial assets denominated in US Dollars</b>				
Cash	\$	6,292	\$	6,155
		<b>6,292</b>		<b>6,155</b>
<b>Financial liabilities denominated in US Dollars</b>				
Loans and advances from a shareholder		<b>105,751,753</b>		91,212,221
	\$	<b>105,751,753</b>	\$	91,212,221
<b>Net Liabilities</b>	<b>\$</b>	<b>105,745,461</b>	<b>\$</b>	<b>91,206,066</b>

Based on the financial assets and liabilities denominated in US dollars as at March 31, 2024, every 5% strengthening in US dollars would increase net loss by approximately \$5.3 million (December 31, 2023 - \$5 million). 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. The Company's future mining operations will be significantly affected by changes in the market prices for nickel. 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 and monetary systems and political developments.

In July 2012, the Company suspended its mining operation due to unfavourable nickel prices. The timing to resume mining operations would mainly depend on the nickel prices. As at March 31, 2024, the Company has no nickel sales receivable, forward sales contracts, or call options outstanding. Changes in 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.

**12. CONTINGENCIES AND LEGAL MATERS**

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.

**13. SUPPLEMENTAL CASH FLOW INFORMATION**

	Three months ended March 31,	
	<b>2024</b>	2023
Net change in non-cash working capital		
Decrease in receivables and prepaid expenses	\$ (8,022)	\$ 5,803
Decrease in accounts payable and accrued liabilities	7,617	(15,435)
	<b>\$ (405)</b>	<b>\$ (9,632)</b>

**14. SEGMENTED INFORMATION**

The Company currently operates in a single reportable segment and is focused on nickel mining and related activities, including exploration and the extraction and processing of nickel-containing ore. All assets of the Company are in Canada, and Bucko Lake Mine was the only operational mine, which the Company has an off-take agreement with Glencore over its mine life.

**CANICKEL MINING LIMITED**

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars, except share data and otherwise stated)

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Bucko Lake Mine has been placed into care and maintenance since July 2012. Expenditures incurred during the care and maintenance period are expensed or capitalized if the expenditures are capital in nature and determined to be recoverable in the future operation.

The investment in associate is not considered a separate segment as the Company is not making operational decisions of the associate.