



CaNickel Mining Limited

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS of financial condition and results of operations for the three months ended March 31, 2024

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 three months ended March 31, 2024, should be read in conjunction with the Company's unaudited condensed interim financial statements for the three months ended March 31, 2024, and the 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 May 28, 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

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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 March 31, 2024, the Company had \$429,429 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. 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 \$57,761 for the three months ended March 31, 2024 ("Q1 2024"), compared to \$202,337 during the three months ended March 31, 2023 ("Q1 2023").

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 was 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

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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 Q1 2024, the Company incurred expenditures of \$25,496 (Q1 2023 - \$29,690) at the TNB properties to maintain certain mineral claims and leases in good standing.

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 formerly carried on by 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 Q1 2024, the Company recorded \$nil (Q1 2023 – loss of \$349,206) from the equity pickup in the Welichem Partnership. A Summary of the investment account is as follows:

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	\$ -	\$ -

RESULTS OF OPERATIONS

Net loss in Q1 2024 was \$6,136,650, compared to \$3,636,916 in Q1 2023. The Company’s financial results in Q1 2024 was mainly impacted by more finance costs.

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Revenue in Q1 2024 was \$11,200, compared to \$nil in Q1 2023. The increase in revenue was due to the Company receiving \$11,200 in rental income for the rental of its core shed and core yard to other exploration companies in the Wabowden area in Q1 2024.

Care and maintenance costs in Q1 2024 were \$57,761, down \$144,576, compared to \$202,337 in Q1 2023. The decrease in costs was due to the Company carrying out fewer environmental studies in Q1 2024.

Loss from mine operations in Q1 2024 was \$309,948, compared to \$469,662 in Q1 2023. The decrease was mainly due to a decrease in care and maintenance costs as discussed above.

Finance costs in Q1 2024 were \$5,735,856, compared to \$2,634,985 in Q1 2023. Finance costs primarily included interest expense of \$3,013,118 (Q1 2023 - \$2,636,333), foreign exchange loss of \$2,652,656 (Q1 2023 – gain of \$72,726), and accretion of site closure and reclamation provisions of \$70,245 (Q1 2023 - \$71,378). 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 shareholder are denominated in US dollars. The interest was associated with the outstanding US dollar loans from a shareholder.

General and administration in Q1 2024 was \$5,054, down \$2,427, compared to \$7,481 in Q1 2023.

Exploration and evaluation expense in Q1 2024 was \$25,496, compared to \$29,690 in Q1 2023. 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.

Legal and professional fees in Q1 2024 were \$30,000, up \$9,706, compared to \$20,294 in Q1 2023. The increase in fees was due to higher audit fees for the Company's annual financial statements.

Salaries, consulting and management fees in Q1 2024 was \$25,500, compared to \$107,569 in Q1 2023. The decrease was due to the departure of the Company's previous CEO and to a 50% reduction in consulting fees paid to the Company's current CEO.

Shareholder communication and investor relations in Q1 2024 were \$8,167, down \$9,862, compared to \$18,029 in Q1 2023. Shareholder communication and investor relations include expenses relating to regulatory filing, stock exchange listing, annual shareholder meeting, newswires and investor conferences.

Share of loss in associate in Q1 2024 was \$nil, compared to equity pickup of the loss \$349,206 in Q1 2023.

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QUARTERLY FINANCIAL RESULTS

	Quarters ended			
	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023
Income (loss) from mine operations	\$ (309,948)	\$ (309,037)	\$ (458,301)	\$ (430,942)
Other items	(5,826,702)	3,038,127	(5,141,018)	(874,946)
Net income (loss)	\$ (6,136,650)	\$ 2,729,090	\$ (5,599,319)	\$ (1,305,888)
Income (loss) per share - basis and diluted	\$ (0.16)	\$ 0.07	\$ (0.15)	\$ (0.03)

	Quarters ended			
	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Loss from mine operations	\$ (469,662)	\$ (473,031)	\$ (402,822)	\$ (481,082)
Other items	(3,167,254)	(4,300,626)	3,847,884	(5,816,926)
Net income (loss)	\$ (3,636,916)	\$ (4,773,657)	\$ 3,445,062	\$ (6,298,008)
Income (loss) per share - basis and diluted	\$ (0.10)	\$ (0.13)	\$ 0.09	\$ (0.17)

The fluctuation of US dollars has a significant impact on the foreign exchange gain or loss, which are included in other items as above. The fluctuation of other items mainly arises from 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 March 31, 2024, the Company had cash of \$429,429, down \$137,649, compared to \$567,078 as at December 31, 2023.

Cash used in operating activities in Q1 2024 was \$112,153, compared to \$365,342 cash from operating activities in Q1 2023. Before net change in non-cash working capital, cash used in operating activities was \$111,748, compared to \$355,710 cash from operations in Q1 2023.

Cash received from financing activities in Q1 2024 was \$Nil, compared to \$380,000 in Q1 2023.

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Cash used in investing activities in Q1 2024 was \$25,496 compared to \$29,690 in Q1 2023. In the current quarter, the Company spent \$25,496 at TNB properties to maintain certain mineral claims and leases in good standing (Q1 2023 - \$29,690).

Working capital as at March 31, 2024, was a deficit of \$109,712,977 compared to a deficit of \$103,909,959 as at December 31, 2023. Excluding the loans and advances from a shareholder, the working capital as at March 31, 2024, was a deficit of \$892,456 (December 31, 2023 - \$755,212).

Shareholder's equity as at March 31, 2024, was a deficit of \$112,208,810 (December 31, 2023 – deficit of \$106,072,160) and the increase in equity deficit was mainly due to additional loss recorded. The Company did not carry any equity financing in the related periods as reported.

The estimated cash outflow based on the Company's contractual obligations and assuming Hebei Wenfeng calls upon its debt as at March 31, 2024, was \$108,820,521 and is 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 be made 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 and carry out the care and maintenance program at its Bucko Lake Mine.

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 assessed that the fair value of cash and accounts payables approximates 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)
Financial assets and liabilities measured at fair value						
Cash	\$ 429,429	\$ -	\$ -	\$ 567,078	\$ -	\$ -

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

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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, which comprising 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 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 unaudited condensed interim financial statements for the three months ended March 31, 2024, 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 accounts receivable and 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 March 31, 2024, the Company has limited funds to meet its short-term financial liabilities, and the working capital, net of \$108,820,521 loans from related parties 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
Total Contractual Obligations	\$ 109,041,524	\$ -	\$ -	\$ 109,041,524

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 March 31, 2024, the Company had \$105.8 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,

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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.

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

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 \$5.29 million (December 31, 2023 - \$4.56 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 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, monetary systems and political developments.

In July 2012, the Company suspended its mining operation due to unfavorable 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. A change 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.

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

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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, 2023. There has been no change to this estimation in Q1 2024.

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 by 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 system, 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 our 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 incident 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 geology data which could affect our ability to conduct effective mine planning and accurate mineral resources estimates, and loss of financial data which could affect our 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 in 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 company controlled by key management personnel, is as follows:

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

Transactions with Hebei Wenfeng

	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
As at March 31, 2024	\$ 105,751,753	\$ 3,068,768	\$ 108,820,521

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 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 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 Wenfeng in 2021, and \$12.5 million in August 2022.

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 - \$100,085,980 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 \$2,652,656 foreign exchange loss (same period last year quarter - gain of \$72,726), respectively, were recorded arising from the US dollar denominated interest-bearing loans.

ii) Non-interest-bearing advances

Due to the financial conditions 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, including foreign exchange impact, was \$3,068,768 (December 31, 2023 - \$3,068,768).

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The advances bear no interest and are due on demand.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The accounting policies applied in preparation of these financial statements are consistent with those applied and disclosed in Note 2 of the unaudited condensed consolidated financial statements for the three months ended March 31, 2024, as well as the audited financial statements for the year ended December 31, 2023.

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.

The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its unaudited condensed interim financial statements. In addition, the preparation of the financial data requires that the Company's management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The critical judgments and estimates applied in the preparation of these condensed interim financial statements are consistent with those applied and disclosed in note 2 to the Company's financial statements for the year ended December 31, 2023.

Readers are encouraged to refer to the critical accounting policies and estimates as described in the Company's audited consolidated financial statements and MD&A for the year ended December 31, 2023.

CHANGE IN ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS

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

New account standards and interpretations have been published that are not mandatory for the current period and have not been early adopted. These standards are not expected to have a material impact on the Company in the current or future reporting periods. The Company has not early adopted any amendment, standard or interpretation that has been issued by the IASB but is not yet effective.

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.

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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 4 to the unaudited condensed interim financial statements for the three months ended March 31, 2024.

(b) expense research and development costs;

Not applicable.

(c) deferred development costs;

Not applicable.

(d) general and administration expenses;

This required disclosure is presented on unaudited condensed interim financial statements of loss and comprehensive loss for the three months ended March 31, 2024.

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

None

END OF THIS REPORT
