



## Canada Nickel Company Inc.

Condensed Interim Consolidated Financial Statements

For the Three Months Ended January 31, 2021 and 2020

(Expressed in Canadian Dollars, unless otherwise noted)

### **Notice of No Auditor Review of Interim Financial Statements**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying condensed interim consolidated financial statements of the company have been prepared by and are the responsibility of the company's management. The company's independent auditor has not performed an audit or review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants.

**Canada Nickel Company Inc.**  
**Condensed Interim Consolidated Statements of Financial Position**  
(Expressed in Canadian Dollars)  
Unaudited

	Note	January 31 2021 \$	October 31 2020 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		7,504,771	11,167,265
Accounts receivable		1,637,822	1,223,397
Loan receivable	4	160,224	160,224
Prepaid expenses		555,802	274,843
<b>Total current assets</b>		<b>9,858,619</b>	<b>12,825,729</b>
<b>Non-current assets</b>			
Exploration and evaluation assets	5	23,226,228	20,288,628
Property, plant and equipment		38,036	35,161
<b>Total assets</b>		<b>33,122,883</b>	<b>33,149,518</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	11	2,029,618	1,475,542
Flow-through share premium	6(a)	-	282,027
<b>Total liabilities</b>		<b>2,029,618</b>	<b>1,757,569</b>
<b>Shareholders' equity</b>			
Share capital	6	31,266,317	30,729,738
Share-based compensation and warrant reserves	7,8,9	4,292,237	3,739,483
Deficit		(4,465,289)	(3,077,272)
<b>Total shareholders' equity</b>		<b>31,093,265</b>	<b>31,391,949</b>
<b>Total liabilities and shareholders' equity</b>		<b>33,122,883</b>	<b>33,149,518</b>

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

Nature of operations and going concern (Note 1)  
Commitments and contingencies (Note 12)  
Subsequent events (Note 14)

Signed on behalf of the Board:

"Mark Selby"  
Mark Selby, Director

"David Smith"  
David Smith, Director

# Canada Nickel Company Inc.

## Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

Unaudited

### For the three months ended January 31

	Note	2021	2020
		\$	\$
<b>Expenses</b>			
Salaries and management fees		141,560	52,935
General and administrative costs		223,859	16,952
Professional fees		107,650	15,225
Consulting and advisory		304,964	319
Promotion and communication		134,992	155,083
Investor relations and marketing		65,323	111,530
Share-based compensation	8,9	686,286	22,241
Travel and other		5,410	55,016
		<b>1,670,044</b>	429,301
<b>Flow-through share premium</b>	6(a)	<b>(282,027)</b>	-
<b>Net loss and comprehensive loss</b>		<b>1,388,017</b>	429,301
Loss per share – basic and diluted	10	<b>\$0.02</b>	\$0.02
Weighted average number of shares outstanding		<b>80,097,896</b>	22,074,316

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

**Canada Nickel Company Inc.**  
**Condensed Interim Consolidated Statements of Cash Flow**  
(Expressed in Canadian Dollars)  
Unaudited

**For the three months ended January 31**

	Note	2021	2020
		\$	\$
<b>Operating activities</b>			
Net loss		(1,388,017)	(429,301)
Adjustments for non-cash items:			
Share-based compensation		686,286	22,241
Flow-through share premium		(282,027)	-
Changes in non-cash working capital items:			
Accounts receivable		(373,712)	(237,787)
Prepaid expenses		(105,959)	(16,727)
Accounts payable and accrued liabilities		159,742	1,368,224
<b>Net cash used in operating activities</b>		<b>(1,303,687)</b>	<b>706,650</b>
<b>Investing activities</b>			
Exploration and evaluation expenditures	5	(2,281,479)	(3,892,164)
Purchase of property, plant and equipment		(35,161)	-
Loan receivable, net of repayments	4	-	(650,000)
<b>Net cash used in investing activities</b>		<b>(2,316,640)</b>	<b>(4,542,164)</b>
<b>Financing activities</b>			
Proceeds from share issuances, net of issuance costs	6	(115,000)	4,013,511
Proceeds from exercise of warrants	6,7	72,833	-
<b>Net cash provided from (used in) financing activities</b>		<b>(42,167)</b>	<b>4,013,511</b>
<b>Cash and cash equivalents, beginning of year</b>		<b>11,167,265</b>	<b>-</b>
Net change in cash and cash equivalents		(3,662,494)	177,997
<b>Cash and cash equivalents, end of year</b>		<b>7,504,771</b>	<b>177,997</b>
<b>Supplementary disclosure</b>			
Value of shares issued for acquisition of Crawford	5	-	3,000,000
Value of shares issued for settlement of accounts payable	6	391,750	-

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

# Canada Nickel Company Inc.

## Condensed Interim Consolidated Statement of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

Unaudited

	Note	Number of common shares	Share capital	Share-based compensation reserve	Warrants reserve	Deficit	Total
		#	\$	\$	\$	\$	\$
<b>Balance, October 31, 2019</b>		<b>1</b>	-	-	-	-	-
Share issuance – private placements, net	6(a)	16,375,666	4,013,511	-	-	-	4,013,511
Flow-through share premium	6(a)	-	(100,683)	-	-	-	(100,683)
Share issuance - acquisitions	5	12,000,000	3,000,000	-	-	-	3,000,000
Fair value of share-based compensation	8,9	-	-	22,241	-	-	22,241
Net loss for the year		-	-	-	-	(429,301)	(429,301)
<b>Balance, January 31, 2020</b>		<b>28,375,667</b>	<b>6,912,828</b>	<b>22,241</b>	-	<b>(429,301)</b>	<b>6,505,768</b>
<b>Balance, October 31, 2020</b>		<b>79,939,316</b>	<b>30,729,738</b>	<b>1,165,057</b>	<b>2,574,426</b>	<b>(3,077,272)</b>	<b>31,391,949</b>
Share issuance - warrants exercised	7	152,094	182,566	-	(69,019)	-	113,547
Fair value of share-based compensation	8,9	-	-	686,286	-	-	686,286
Shares issued to settle 2020 accounts payable		192,781	-	-	-	-	-
Shares issued to settle 2021 accounts payable		50,000	114,500	-	-	-	114,500
Shares to be issued to settle accounts payable		-	239,513	-	(64,513)	-	175,000
Net loss for the year		-	-	-	-	(1,388,017)	(1,388,017)
<b>Balance, January 31, 2021</b>		<b>80,334,191</b>	<b>31,266,317</b>	<b>1,851,343</b>	<b>2,440,894</b>	<b>(4,465,289)</b>	<b>31,093,265</b>

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

# Canada Nickel Company Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three months ended January 31, 2021 and 2020

Unaudited

### 1. Nature of operations and going concern

Canada Nickel Company Inc. ("Canada Nickel" or the "Company") was incorporated on October 11, 2019 under the laws of the Province of Ontario, Canada, and its head office is located at 130 King Street West, Suite 1900, Toronto, Ontario, M5X 1E3.

On February 27, 2020, the Company's common shares commenced trading on the TSX Venture Exchange ("TSX-V") under the symbol TSX-V:CNC and on October 14, 2020 its common shares commenced trading on the OTCQB Venture Marketplace under the symbol OTCQB:CNIF.

On July 21, 2020, the Company incorporated a wholly owned subsidiary NetZero Metals Inc.

The Company is engaged in the exploration and discovery of nickel sulphide assets to deliver future supply for the high growth electric vehicle, green energy and stainless steel markets. The Company owns 100 per cent of the Crawford Nickel-Cobalt Sulphide Project ("Crawford" or "the Project"), which is located adjacent to major infrastructure in the world class Timmins-Cochrane mining camp of northern Ontario, Canada. The Company also holds an option to earn up to an 80% interest in 5 additional nickel targets located near the Project.

These condensed interim consolidated financial statements have been prepared on the basis of a going concern, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As the Company has no revenue producing mines, the Company's ability to continue as a going concern is dependent upon its ability to raise funds in the capital markets, or through the sale of assets. The Company is in the exploration and evaluation stage and as is common with many exploration companies, it raises financing for its exploration and acquisition activities in discrete tranches. The Company has a working capital balance of \$7,829,001 at January 31, 2021, but has incurred losses and negative cashflows from operations and has an accumulated deficit of \$4,465,289. The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or generate operating profitability and positive cash flow. There can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate financing, the Company may be required to curtail operations, exploration, and development activities. All of these outcomes are uncertain and taken together indicate the existence of material uncertainties that may cast significant doubt over the ability of the Company to continue as a going concern.

As at January 31, 2021, the Company has sufficient cash on hand to meet operational expenses for the next twelve months, but would need additional funds to complete the feasibility study for Crawford. Subsequent to January 31, 2021 and up to March 16, 2021 the Company received proceeds of \$1.8 million from the exercise of warrants and on March 15, 2021, the Company, under the terms of the September 30, 2020 warrant indenture, accelerated the expiry date of the remaining outstanding warrants. If the remaining warrants are exercised the Company would receive an additional \$3.8 million in proceeds. The Company still plans to raise additional capital to execute its business plan, however the Company may increase or decrease expenditures as necessary to adjust to a changing capital market environment.

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

# Canada Nickel Company Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three months ended January 31, 2021 and 2020

Unaudited

### 1. Nature of operations and going concern (continued)

Due to the worldwide COVID-19 outbreak, material uncertainties may come into existence that could influence management's going concern assumption. Management cannot accurately predict the future impact COVID-19 may have on various external factors such as; global oil prices, demand for base metals, labour availability, availability of essential supplies, value of the Canadian dollar and the ability to obtain funding. At the date of the approval of these consolidated financial statements, the Canadian government has not introduced measures which impede the activities of the Company. Management believes the business will continue and accordingly, the current situation bears no impact on management's going concern assumption. However, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

The condensed interim consolidated financial statements were approved by the Board of Directors on March 16, 2021.

### 2. Significant accounting policies

#### Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, and do not include all of the information required for annual consolidated financial statements. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed. These condensed interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended January 31, 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

#### Basis of presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The condensed interim consolidated financial statements include the financial statements of Canada Nickel and its subsidiary, NetZero Metals Inc., from its respective date of control. All intercompany transactions and balances are eliminated on consolidation.

In the preparation of these condensed interim consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the interim consolidated financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

# Canada Nickel Company Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three months ended January 31, 2021 and 2020

Unaudited

### 3. Capital management

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its expenditure obligations for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic and industry conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach in the period. The Company considers its Shareholders' Equity as capital which as at January 31, 2021 is \$31,093,265.

### 4. Loan receivable

On June 26, 2020, the Company extended a \$625,000 interest-free unsecured loan (the "Loan") to Noble Mineral Exploration Inc. ("Noble") maturing on June 25, 2021. Under the terms of the Loan, should Noble sell any of its Canada Nickel shares, a minimum of 50% of the proceeds of that sale must be used as repayment against the Loan until the principal amount of the Loan has been repaid. If Noble fails to make any payment due under the Loan, interest at 12% per annum will accrue (compounded monthly) retroactive to June 26, 2020 until all principal and interest has been repaid. Noble has the right to prepay the Loan at any time. In 2020, Noble repaid \$464,776 of the Loan and is in compliance with the requirements of the loan with a remaining balance outstanding of \$160,224 as at January 31, 2021 and October 31, 2020. The Company has entered into a letter of intent with Noble to acquire additional option properties (see Note 14 Subsequent events) whereby, amongst other compensation, the Loan would be forgiven.

In the three months ended January 31, 2020, the Company entered into a \$250,000 promissory note with Noble and a \$400,000 promissory note with Spruce Ridge Resources Ltd. ("Spruce Ridge"). The amounts advanced were unsecured, bear no interest and were due on demand. Both notes were fully repaid in 2020.



# Canada Nickel Company Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three months ended January 31, 2021 and 2020

Unaudited

### 5. Exploration and evaluation assets

	<b>Additions for the three months ended and balance as at January 31 2020</b>	<b>Balance October 31 2020</b>	<b>Additions for the three months ended January 31 2021</b>	<b>Balance January 31 2021</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Acquisition costs:				
Cash paid	2,000,000	2,500,000	-	2,500,000
Shares issued	3,000,000	8,615,000	-	8,615,000
Drilling	958,931	4,900,706	1,275,515	6,176,221
Assays	341,700	1,194,109	227,248	1,421,357
Geological and consulting	472,097	1,974,265	520,400	2,494,665
Mineralogy	60,000	464,059	469,605	933,664
Obligations to stakeholders	-	332,743	151,810	484,553
Support costs	59,436	307,746	293,022	600,768
	<b>6,892,164</b>	<b>20,288,628</b>	<b>2,937,600</b>	<b>23,226,228</b>

#### Crawford Nickel-Cobalt Sulphide Project ("Crawford")

In October 2019, Noble, Canada Nickel, Spruce Ridge and certain private investors entered into a binding letter of intent and a subsequent Implementation Agreement on November 14, 2019, to facilitate Canada Nickel's consolidation of 100% ownership of Crawford.

Under the terms of the Implementation Agreement a series of transactions were completed to consolidate Crawford. Following which, on November 29, 2019, the Company entered into a definitive agreement with Noble, Spruce Ridge and certain private investors to acquire and consolidate Crawford for consideration of \$2 million cash paid to Noble, 12,000,000 common shares issued to Noble at an ascribed fair value of \$3,000,000, and 20,000,000 common shares issued to Spruce Ridge at an ascribed fair value of \$5,000,000.

# Canada Nickel Company Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three months ended January 31, 2021 and 2020

Unaudited

### 5. Exploration and evaluation assets (continued)

#### Crawford Annex and Option Agreement with Noble

On May 22, 2020, the Company closed a definitive agreement with Noble to acquire an additional property and enter into option agreements on five other targets near Crawford.

The Company paid Noble \$500,000 in cash and issued 500,000 Canada Nickel common shares (ascribed a fair value of \$615,000) to acquire the Crawford Annex property and the option to earn up to an 80% interest in five additional nickel targets within Noble's Project 81 land package. The Crawford Annex comprises 4,909 hectares in Crawford and Lucas township and the five option areas (Crawford-Nesbitt-Aubin, NesbittNorth, Aubin-Mahaffy, Kingsmill-Aubin, and MacDiarmid) ("Option Properties") range in size of 903 to 5,543 hectares.

The Company can earn up to an 80% interest in each of the Option Properties on the following terms and conditions:

- 1) Canada Nickel can initially earn a 60% interest in each of the Option Properties within 2 years by:
  - funding at least \$500,000 of exploration and development expenditures on each option property;
  - paying all property maintenance costs for each option property, including all applicable mining land taxes; and
  - making a payment to Noble of an additional \$250,000 in cash or, at Noble's election, Canada Nickel common shares.
- 2) Canada Nickel has the right to then increase their interest to 80% in each of the Option Properties within three years by funding an additional \$1,000,000 of exploration and development expenditures on each option property (for a total of \$1,500,000 per option property over three years).

If the conditions to earn a 60% interest or 80% interest have been satisfied, a joint venture would be formed on that basis and a 2% net smelter return royalty would be granted to Noble on the portion of the property which hold mining claims and are without royalty obligations.

# Canada Nickel Company Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three months ended January 31, 2021 and 2020

Unaudited

### 6. Share capital

#### Authorized share capital

The authorized share capital consisted of an unlimited number of common shares without par value. All issued shares have been fully paid.

#### Common shares issued

		2020		2021	
	Note	Number of Common Shares	Share Capital	Number of Common Shares	Share Capital
		#	\$	#	\$
<b>Balance, October 31</b>		1	-	79,939,316	30,729,738
Share issuance - acquisitions	5	12,000,000	3,000,000	-	-
Share issuance - equity financings, net	6(a)	16,375,666	4,013,511	-	-
Flow-through share premium	6(a)	-	(100,683)	-	-
Share issuance – warrants exercised	7	-	-	152,094	182,566
Shares issued to settle 2020 accounts payable	6(b)	-	-	192,781	-
Shares issued to settle 2021 accounts payable	6(b)	-	-	50,000	114,500
Shares to be issued to settle accounts payable	6(b)	-	-	-	239,513
<b>Balance, January 31</b>		<b>28,375,667</b>	<b>6,912,828</b>	<b>80,334,191</b>	<b>31,266,317</b>

(a) The Company completed a number of private placements during the three months ended January 31, 2020, which included the sale of 14,362,000 common shares at a price of \$0.25 per share for total gross proceeds of \$3,590,500 and the sale of 2,013,666 flow-through common shares at a price of \$0.30 per share for total gross proceeds of \$604,100. Costs of issue amounted to \$181,089.

The flow-through common shares were issued at a premium to the market price in recognition of the tax benefits accruing to subscriber. The associated share premium liability of \$100,683 was recorded.

The following table shows the Company's flow-through common share raises in its fiscal year ending October 31, 2020.

	Commitment to Spend on CEE	Premium Liability	Eligible CEE Incurred to January 31 2021	Remaining Premium Liability
Equity raise	\$	\$	\$	\$
December 20 – 30, 2019	604,100	100,683	604,100	-
February 14, 2020	1,450,000	450,000	1,450,000	-
May 5, 2020	3,874,659	678,794	3,874,659	-
September 10, 2020	1,774,500	641,550	1,774,500	-
October 14, 2020	5,015,000	-	1,251,000	-
<b>Balance, October 31, 2020</b>	<b>12,718,259</b>	<b>1,871,027</b>	<b>8,954,259</b>	<b>-</b>

In the three months ending January 31, 2021 the Company reduced its share premium liability to zero from \$282,027 recorded as at October 31, 2020 through its spend on CEE. As of January 31, 2021 the Company has an obligation to incur an additional \$3,764,000 in eligible CEE by December 31, 2021.

# Canada Nickel Company Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three months ended January 31, 2021 and 2020

Unaudited

- (b) The Company issued 200,000 common shares to the First Nations in January 2021 (note 12), of which the value for 150,000 common shares (\$192,250) was recorded in October 2020 and the value of \$114,500 for the remaining 50,000 share obligation was recorded in January 2021. In addition, the Company settled its 2020 professional obligation of \$85,000 with the issuance of 42,781 common shares. The Company also has additional advisory and professional fee obligations of \$175,000 as at January 31, 2021 to be settled in the equivalent value of common shares.

### 7. Warrants and compensation options

The following table reflects the continuity of warrants and compensation options for the three months ended January 31, 2021 (there were no warrants or compensation options outstanding during the three months ended January 31, 2020):

	Number of warrants	Number of compensation options
	#	#
Balance, October 31, 2020	3,055,746	498,000
Exercised	(80,666)	-
Balance, January 31, 2021	2,975,080	498,000

The Company received \$24,533 from the exercise of 57,666 broker warrants and \$48,300 from the exercise of 23,000 September 30, 2020 warrants. Subsequent to January 31, 2021 the Company received proceeds of \$1.7 million from the exercise of 829,250 of the September 30, 2020 warrants.

The following table reflects the warrants and compensation options outstanding as at October 31, 2020 and January 31, 2021:

Grant Date	Exercise Price	Outstanding as at October 31 2020	Outstanding as at January 31 2021	Expiry Date	Remaining Life (years)
	\$				
May 5 broker warrants	0.35	54,359	54,199	5-Nov-22	1.8
May 5 broker warrants	0.40	179,933	147,010	5-Nov-22	1.8
May 5 broker warrants	0.46	146,454	121,871	5-Nov-22	1.8
September 30 warrants	2.10	2,675,000	2,652,000	30-Sept-22	1.7
	1.92	3,055,746	2,975,080		1.8
September 30 compensation options	1.50	321,000	321,000	30-Sept-22	1.7
October 14 compensation options	1.50	177,000	177,000	14-Oct-22	1.8
	1.50	498,000	498,000		1.7

# Canada Nickel Company Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three months ended January 31, 2021 and 2020

Unaudited

### 8. Stock options

The following table reflects stock options outstanding as at January 31, 2021 and October 31, 2020:

Grant Date	Exercise Price	Outstanding as at October 31 2020	Outstanding as at January 31 2021	Vested as at January 31 2021	Expiry Date	Remaining Life (years)
	\$	#	#			
January 13, 2020	0.25	4,177,500	4,177,500	1,392,496	13-Jan-25	4.0
February 18, 2020	0.25	275,000	275,000	-	18-Feb-25	4.0
August 12, 2020	1.87	60,000	60,000	-	12-Aug-25	4.5
October 27, 2020	1.62	337,500	337,500	-	27-Oct-25	4.8
November 1, 2020	1.62	-	360,000	-	1-Nov-25	4.8
November 8, 2020	1.88	-	100,000	-	8-Nov-25	4.8
	0.48	4,850,000	5,310,000	1,392,496		4.1

At January 31, 2021, no stock options were exercised or forfeited and 1,392,496 stock options were exercisable. The options vest at a rate of one third on the anniversary date of the grant, and a further one third each year thereafter.

Each stock option converts into one common share of the Company upon exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither right to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The Company, at its discretion, may settle stock options exercised through the issuance of common shares from treasury or cash. The Company recorded share-based compensation expense related to stock options of \$267,127 for the three months ended January 31, 2021 (\$22,241 for the three months ended January 31, 2020) to the interim consolidated statements of loss and comprehensive loss.

The following table summarizes the assumptions used in the Black-Scholes valuation model for the determination of the cost of stock options issued during the year ended October 31, 2020 and the three months ended January 31, 2021.

	January 13, 2020	February 18, 2020	August 12, 2020	October 27, 2020	November 1, 2020	November 8, 2020
Risk free interest rate	1.66%	1.42%	0.30%	0.25%	0.27%	0.32%
Expected life (years)	5	5	5	5	5	5
Volatility	100%	100%	100%	100%	100%	100%
Expected dividends	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Forfeiture rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Fair value of options issued	\$0.19	\$0.19	\$1.38	\$1.20	\$1.20	\$1.39

# Canada Nickel Company Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three months ended January 31, 2021 and 2020

Unaudited

### 9. Restricted share units (“RSUs”)

The following table reflects RSUs outstanding as at January 31, 2021 and October 31, 2020:

Grant Date	Grant Date Price and Fair Value	Outstanding as at October 31 2020	Outstanding as at January 31 2021
	\$	#	#
March 3, 2020	0.52	2,122,500	2,122,500
August 12, 2020	1.87	30,000	30,000
October 27, 2020	1.62	112,500	112,500
November 1, 2020	1.62	-	230,000
December 8, 2020	1.88	-	68,617
	0.72	2,265,000	2,563,617

2,265,000 RSUs were issued during the year ended October 31, 2020 and 298,617 RSUs were issued during the three months ended January 31, 2021. No RSUs were exercised or forfeited and as at January 31, 2021, no RSUs were exercisable. The RSUs vest on the anniversary date of the grant.

Each RSU converts into one common share of the Company upon exercise. No amounts are paid or payable by the recipient on receipt of the RSU. The RSUs carry neither right to dividends nor voting rights. Upon vesting, the Company, at its discretion, may settle RSUs through the issuance of common shares from treasury or cash. The Company recorded share-based compensation expense related to RSUs of \$419,159 for the three months ended January 31, 2021 (nil for the three months ended January 31, 2020) to the interim consolidated statements of loss and comprehensive loss.

### 10. Loss per share

	For the three months ended January 31	
	2021	2020
Net loss	\$1,388,017	\$ 429,301
Weighted average number of common shares outstanding - basic	80,097,896	22,074,316
Effect of dilutive securities	-	-
Weighted average number of common shares outstanding - dilutive	80,097,896	22,074,316
<b>Loss per share – basic and diluted</b>	<b>\$ 0.02</b>	<b>\$ 0.02</b>

Diluted loss per share does not include the effect of stock options, RSUs, compensation options and warrants as they are anti-dilutive.

# Canada Nickel Company Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

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For the three months ended January 31, 2021 and 2020

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### 11. Related party transactions

Related parties and related party transactions impacting the consolidated financial statements are summarized below and include transactions with key management personnel, which includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. Related parties include the Board of Directors and management, close family members and enterprises that are controlled by these individuals; as well as certain persons performing similar functions.

A summary of the related party transactions and balances is as follows:

	For the three months ended January 31	
	2021	2020
	\$	\$
Management and directors' fees	154,850	45,000
Share-based compensation	471,006	12,638
Accounting and financial services	-	6,760

These transactions are in the normal course of operations and have been valued in these consolidated financial statements at the amount of consideration established and agreed to by the related parties.

Amounts payable to related parties were as follows:

	January 31	October 31
	2021	2020
	\$	\$
Fees owing to management for expense reimbursement	22,622	32,287
Fees owing to directors for board fees and advisory	31,970	47,970
Marrelli Support Services Inc.	-	24,178

Marrelli Support Services Inc. provided bookkeeping and office support services for the Company, including contract Chief Financial Officer ("CFO") services. Robert D.B. Suttie acted as CFO for the Company from December 1, 2019 to October 31, 2020.

# Canada Nickel Company Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

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### 12. Commitments and contingencies

At January 31, 2021 the Company has \$1,318,464 in payables owing with respect to exploration and evaluation assets.

Canada Nickel entered into a Memorandum of Understanding ("MOU") with the Matachewan and Mattagami First Nations in relation to exploration and development operations at Crawford. The MOU establishes a commitment by Canada Nickel to engage in ongoing consultation and establish a mutually beneficial cooperative and productive relationship with the First Nations located in the Project area. The agreement also provides the communities with an opportunity to participate in the benefits of the Project through business opportunities, employment and training, financial compensation and consultation on environmental matters. Financial compensation to the First Nations includes the issuance of 200,000 common shares of the Company, which were issued in January 2021, and a commitment to pay 2% of the annual expenses related to the Company's exploration program.

### 13. Financial instruments

#### Fair values

At January 31, 2021, the Company's financial instruments consist of cash and cash equivalents, accounts receivable, loan receivable and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

#### Fair value hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the period, there were no transfer of amounts between levels.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Level 1 – none

Level 2 – cash and cash equivalents

Level 3 - none

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk; and
- Liquidity risk



# Canada Nickel Company Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

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For the three months ended January 31, 2021 and 2020

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### 13. Financial instruments (continued)

#### Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfil its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents. All of the Company's cash is held at a Canadian bank, or funds held in trust with legal counsel in which management believes that the risk of loss is minimal, but the Company is subject to concentration of credit risk. Loans and account receivables consist of accounts receivable created in the course of normal business along with recoverable service taxes.

#### 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 currently settles its financial obligations with cash and from time to time with equity. As at January 31, 2021, the Company's financial liabilities consist of accounts payable and accrued liabilities, which have contractual maturity dates within one year. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. There have been no changes in the Company's strategy with respect to credit/liquidity risk in the period.

#### Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar with minimal exposure to other currencies.

### 14. Subsequent events

(a) On March 15, 2021, under the terms of the September 30, 2020 warrant indenture, the Company accelerated the expiry date of the outstanding warrants from September 30, 2022 to April 27, 2021. Each of the warrants entitles the holder thereof to acquire one common share of the Company at a price of \$2.10 per common share. As of March 16, 2021, 852,250 of the September 30 warrants have been exercised with proceeds received of \$1,789,725. 1,822,750 September 30 warrants remain outstanding to be exercised.

(b) On February 17, 2021, the Company entered into a binding letter of intent (LOI) with Noble to consolidate ownership of the additional claims adjacent to the original MacDiarmid property option acquired in May 2020 (MacDiarmid Claims) through a new option agreement (MacDiarmid Option).

In exchange for the MacDiarmid Option, the Company agreed to (i) issue 200,000 common shares of Canada Nickel to Noble, (ii) forgive the \$169,224 loan currently owed by Noble to Canada Nickel, (iii) take all steps as are commercially reasonable to transfer \$500,000 in assessment credits to Noble; and (iv) provide a net smelter return of up to 1.75% to Noble.

Under the terms of the MacDiarmid Option, a 60% interest in the MacDiarmid Claims will vest to Canada Nickel if it funds at least \$100,000 of exploration and development expenditures on the MacDiarmid Claims within 18 months. An 80% interest in the MacDiarmid Claims will vest to Canada Nickel if it funds at least an additional \$150,000 (for a total of \$250,000) of exploration and development expenditures on the MacDiarmid Claims within 36 months. The Company will also be responsible for exploration expenditures and other costs required to maintain the MacDiarmid Claims in good standing (and to make certain related filings). If the conditions to earn a 60% interest or 80%

# Canada Nickel Company Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

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interest have been satisfied, a joint venture would be formed between Canada Nickel and Noble on such proportionate basis.

The transaction is subject to certain specific conditions, including prior approval of the TSX Venture Exchange, Board approvals and third party approvals.

- (c) On February 23, 2021, the Company issued stock options and RSUs to certain employees and directors. 734,500 stock options were issued at an exercise price of \$3.63 per share. All vesting over a three year period. In addition, on the same date, 716,145 RSUs were issued vesting over a one year period.