



Canada Nickel Company Inc.

Audited Consolidated Financial Statements

For the Years Ended October 31, 2023 and 2022

(Expressed in Canadian Dollars, unless otherwise noted)

# Canada Nickel Company Inc.

## Management's Report on Consolidated Financial Statements

The consolidated financial statements of Canada Nickel Company Inc. have been prepared by, and are the responsibility of, the Company's management. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and reflect management's best estimates and judgements based on information currently available. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the consolidated financial statements fairly reflect the financial position and results of operations of the Company.

The Board of Directors is responsible for ensuring management fulfills its financial reporting responsibilities. The Audit Committee meets with the Company's management and external auditors to discuss the results of the audit and to review the consolidated financial statements prior to the Audit Committee's submission to the Board of Directors for approval. The Audit Committee also reviews with management the Company's systems of internal control, and reviews the scope of the external auditors' audit and non-audit work. The Audit Committee is composed entirely of directors not involved in the daily operations of the Company who are thus considered to be free from any relationship that could interfere with their exercise of independent judgement as a committee member.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

February 1, 2024

"Mark Selby"

Signed: Chief Executive Officer

"Wendy Kaufman"

Signed: Chief Financial Officer

To the Shareholders of Canada Nickel Company Inc.:

### Opinion

We have audited the consolidated financial statements of Canada Nickel Company Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at October 31, 2023 and October 31, 2022, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at October 31, 2023 and October 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended October 31, 2023 and, as of that date, the Company had a working capital deficiency and an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matter to be communicated in our report.

## ***Asset Retirement Obligation***

### *Key Audit Matter Description*

As described in note 7 to the consolidated financial statements, the Company has recorded a provision for asset retirement obligation of \$1,547,867 as at October 31, 2023.

The calculation of this provision requires management to estimate the value and timing of future costs, discounted to present value using an appropriate discount rate. Management reviews the obligation at each reporting period date, using experts to provide support in the assessment where appropriate. This review incorporates the effects of any changes in management's anticipated approach to restoration of the site and any increase in the scope of the restoration due to exploration activity during the year. This estimate required significant auditor attention, and accordingly, we have identified this as a key audit matter.

### *Audit Response*

We responded to this matter by performing procedures in relation to asset retirement obligation. Our audit work in relation to this included, but was not restricted to, the following:

- Assessed the mathematical accuracy of management's calculation and assessed the appropriateness of the discount rate applied to calculate the net present value of the provision and compared the discount rate against market available data.
- Evaluated the qualifications, competence, and objectivity of management's external expert who produced the cost estimates.
- Assessed the appropriateness and accuracy of the rehabilitation model.
- Assessed management's process for review of the asset retirement obligation and tested key assumptions, including cost estimates used in management's rehabilitation model.

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## **Other Information**

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Blair Michael Mabee.

Mississauga, Ontario

February 1, 2024

*MNP LLP*

Chartered Professional Accountants

Licensed Public Accountants

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

	Note	October 31 2023 \$	October 31 2022 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		14,433,936	13,009,936
Harmonized sales tax receivable		1,583,893	1,527,062
Accounts receivable		-	366,848
Prepaid expenses		772,949	117,523
<b>Total current assets</b>		<b>16,790,778</b>	<b>15,021,369</b>
<b>Non-current assets</b>			
Exploration and evaluation assets	4	165,440,221	128,624,444
Equipment and right-of-use assets	5	836,759	669,102
<b>Total assets</b>		<b>183,067,758</b>	<b>144,314,915</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	13,14	4,509,095	10,932,118
Short-term loans	6	16,673,070	13,291,981
<b>Total current liabilities</b>		<b>21,182,165</b>	<b>24,224,099</b>
Long-term portion of right-of-use lease liability	5	204,778	-
Deferred tax liabilities	16	4,092,387	1,262,453
Asset retirement obligation	7	1,547,867	-
<b>Total liabilities</b>		<b>27,027,197</b>	<b>25,486,552</b>
<b>Shareholders' equity</b>			
Share capital	8	169,878,160	122,126,306
Share-based compensation and warrant reserves	9,10,11	15,377,733	11,692,512
Deficit		(29,215,332)	(14,990,455)
<b>Total shareholders' equity</b>		<b>156,040,561</b>	<b>118,828,363</b>
<b>Total liabilities and shareholders' equity</b>		<b>183,067,758</b>	<b>144,314,915</b>

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

Nature of operations and going concern (Note 1)  
Commitments and contingencies (Note 14)  
Subsequent events (Note 17)

Signed on behalf of the Board:

"Mark Selby"  
Mark Selby, Director

"David Smith"  
David Smith, Director

**Canada Nickel Company Inc.**  
**Consolidated Statements of Loss and Comprehensive Loss**  
(Expressed in Canadian Dollars)

**For the Years Ended October 31**

	Note	2023 \$	2022 \$
<b>Expenses</b>			
Salaries	13	1,395,816	944,560
General and administrative costs		709,620	812,744
Professional fees		984,859	691,772
Consulting and advisory		2,405,389	1,154,903
Promotion and communication		280,827	482,177
Investor relations and marketing		536,248	274,300
Share-based compensation	10,11	4,622,226	4,612,352
Travel and other		228,584	316,057
Transaction costs and interest expense	6	2,276,885	990,954
		<b>13,440,454</b>	10,279,819
<b>Flow-through share premium</b>	8	<b>(2,045,511)</b>	(6,902,071)
Net loss and comprehensive loss before tax		<b>11,394,943</b>	3,377,748
Income tax expense	16	<b>2,829,934</b>	2,157,332
<b>Net loss and comprehensive loss</b>		<b>14,224,877</b>	5,535,080
Loss per share – basic and diluted	12	<b>\$0.11</b>	\$0.05
Weighted average number of shares outstanding		<b>131,238,316</b>	103,720,987

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



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

**For the Years Ended October 31**

	Note	2023	2022
		\$	\$
<b>Operating activities</b>			
Net loss		(14,224,877)	(5,535,080)
Add – transaction costs included in financing activities	6	1,221,891	749,593
Adjustments for non-cash items:			
Share-based compensation		4,622,226	4,612,352
Flow-through share premium		(2,045,511)	(6,902,071)
Income tax expense		2,829,934	2,157,332
Accretion on warrants and other non-cash related to short term loan facility	6	1,054,994	240,361
Expenses paid or payable in shares		233,365	5,448
Changes in non-cash working capital items:			
Harmonized sales tax receivable		(56,831)	1,773,533
Accounts receivable and prepaid expenses		(288,578)	298,555
Accounts payable and accrued liabilities		(737,408)	730,643
<b>Net cash used in operating activities</b>		<b>(7,390,795)</b>	<b>(1,869,334)</b>
<b>Investing activities</b>			
Exploration and evaluation expenditures	4	(37,248,538)	(49,286,156)
Purchase of equipment	5	(123,574)	(226,004)
<b>Net cash used in investing activities</b>		<b>(37,372,112)</b>	<b>(49,512,160)</b>
<b>Financing activities</b>			
Proceeds from short-term loan facility, net of transaction costs	6	15,768,017	25,511,345
Repayment of short-term loan facility and related interest and arrangement fees	6	(14,513,872)	(12,826,178)
Repayment of lease obligations		(114,186)	-
Proceeds from share issuances, net of costs	8	44,582,756	48,177,253
Proceeds from exercise of warrants and stock options	9,10	464,192	194,367
<b>Net cash provided from financing activities</b>		<b>46,186,907</b>	<b>61,056,787</b>
<b>Cash and cash equivalents, beginning of year</b>		<b>13,009,936</b>	<b>3,334,643</b>
Net change in cash and cash equivalents		1,424,000	9,675,293
<b>Cash and cash equivalents, end of year</b>		<b>14,433,936</b>	<b>13,009,936</b>
<b>Supplementary disclosure</b>			
Value of shares issued for acquisitions	4	2,785,104	25,649,110
Value of shares issued for settlement of accounts payable		233,365	168,800

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

**Canada Nickel Company Inc.**  
**Consolidated Statements of Changes in Shareholders' Equity**  
(Expressed in Canadian Dollars)

	Note	Number of common shares	Share capital	Share-based compensation reserve	Warrants reserve	Deficit	Total
		#	\$	\$	\$	\$	\$
<b>Balance, October 31, 2021</b>		<b>88,383,650</b>	<b>51,036,468</b>	<b>5,551,009</b>	<b>167,111</b>	<b>(9,455,375)</b>	<b>47,299,213</b>
Share issuance – equity offering	8	15,364,708	48,177,253	-	-	-	48,177,253
Flow-through share premium reserve	8	-	(5,942,672)	-	-	-	(5,942,672)
Share issuance – warrants exercised		43,323	73,251	-	(33,225)	-	40,026
Warrants exercised but shares not issued			62,069		(38,563)		23,506
Share issuance – compensation options exercised	9	26,550	66,813	-	(26,988)	-	39,825
Share issuance – stock options exercised	10	320,833	158,935	(67,925)	-	-	91,010
Share issuance – restricted share units exercised	11	333,469	503,400	(522,535)	-	-	(19,135)
Share issuance - acquisitions	4	8,517,000	25,649,110	-	-	-	25,649,110
Shares issued to settle 2021 accounts payable		78,303	58,800	-	-	-	58,800
Fair value of warrants issued	6	-	-	-	383,140	-	383,140
Fair value of share-based compensation	10,11	-	-	6,280,488	-	-	6,280,488
Shares to be issued to settle accounts payable		-	1,388,000	-	-	-	1,388,000
Deferred tax on share issuance costs		-	894,879	-	-	-	894,879
Net loss for the year		-	-	-	-	(5,535,080)	(5,535,080)
<b>Balance, October 31, 2022</b>		<b>113,067,836</b>	<b>122,126,306</b>	<b>11,241,037</b>	<b>451,475</b>	<b>(14,990,455)</b>	<b>118,828,363</b>
Share issuance - equity offering	8	23,794,597	44,582,756	-	-	-	44,582,756
Flow through share premium reserve	8	-	(2,045,511)	-	-	-	(2,045,511)
Share issuance - stock options exercised	10	1,829,168	799,164	(341,872)	-	-	457,292
Share issuance – restricted share units exercised	11	1,303,325	2,611,596	(2,611,596)	-	-	-
Share issuance - acquisitions	4	1,584,738	1,553,104	-	-	-	1,553,104
Share issuance – warrants exercised		69,330	17,380	-	(10,480)	-	6,900
Fair value of share-based compensation	10,11	-	-	6,499,227	-	-	6,499,227
Fair value of warrants issued	6	-	-	-	239,180	-	239,180
Unamortized portion of warrants	6	-	-	-	(89,238)	-	(89,238)
Shares issued to settle accounts payable		173,150	233,365	-	-	-	233,365
Net loss for the year		-	-	-	-	(14,224,877)	(14,224,877)
<b>Balance, October 31, 2023</b>		<b>141,822,144</b>	<b>169,878,160</b>	<b>14,786,796</b>	<b>590,937</b>	<b>(29,215,332)</b>	<b>156,040,561</b>

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

# **Canada Nickel Company Inc.**

## **Notes to the Consolidated Financial Statements**

### **For the Years Ended October 31, 2023 and 2022**

(Expressed in Canadian Dollars)

#### **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 "CNC" and its common shares also trade on the OTCQX Best Market under the symbol "CNIF".

On July 21, 2020, the Company incorporated a wholly owned subsidiary NetZero Metals Inc. and on November 3, 2022, the Company incorporated a wholly-owned subsidiary, Central Timmins Nickel Company 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 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 owns 25 additional nickel targets located near the Project.

These 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 deficit balance of \$4,391,387 at October 31, 2023, and has incurred losses and negative cashflows from operations and has an accumulated deficit of \$29,215,332. 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.

In January 2024, the Company entered into two financing arrangements. The Company received \$34.7 million from the first financing on January 2, 2024 and is expecting to receive US\$18.5 million from the second financing in early February 2024 (see note 17). The funds will be used primarily for exploration at its regional properties surrounding Crawford and continued advancement of the Company's Crawford Nickel Project post feasibility study, repayment of a loan facility (note 6) and for general working capital purposes. The Company will continue to source other funding and may increase or decrease expenditures as necessary to adjust to a changing capital market environment.

The consolidated financial statements were approved by the Board of Directors on February 1, 2024.

**Canada Nickel Company Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended October 31, 2023 and 2022**  
(Expressed in Canadian Dollars)

**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”).

Basis of presentation

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

In the preparation of these 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 consolidated financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

Foreign currencies

The presentation and functional currency of the Company is the Canadian dollar. The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which the entity operates (functional currency), which is the Canadian dollar. Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At each financial reporting date, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized in the consolidated statements of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Nonmonetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Flow-through shares

The Company may, from time to time, issue flow-through common shares to finance a portion of its Canadian exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resources property exploration expenditures. The Company may also be subject to a Part XII.6 tax on flowthrough proceeds renounced under the Look-back Rule, in accordance with Government of Canada flowthrough regulations. When applicable, this tax is accrued as a financial expense until paid.

**Canada Nickel Company Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended October 31, 2023 and 2022**  
(Expressed in Canadian Dollars)

**2. Significant accounting policies (continued)**

Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

Provisions for mine closure and restoration are made in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (which include such costs as dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted using a pre-tax rate and the accretion is included in finance costs or exploration and evaluation asset, depending on the stage of mine life.

Restoration activities will occur primarily upon closure of a mine but can occur from time to time throughout the life of the mine. As restoration projects are undertaken, their costs are charged against the provision as the costs are incurred.

The Company has recorded an asset retirement obligation and has no other material provisions as at October 31, 2023.

Share capital, warrants and compensation options

Common shares, warrants and compensation options are classified as equity. The share capital represents the amount received upon issuance of shares. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period in which the transaction occurs. Proceeds from unit placements are allocated between shares and warrants issued on a pro-rata basis of their value within the unit. The Black-Scholes option pricing model is used to determine the fair value of warrants and compensation options issued.

Consideration paid by holders on exercise of warrants and compensation options is credited to share capital combined with the fair value attributable to the same warrants and compensation options originally recorded in warrants reserve.

Share-based compensation

The Company has share-based compensation plans that grant stock options and restricted share units to employees and non-employees. These plans are equity-settled, however, the Company has the option to cash settle in certain circumstances. For equity-settled share-based payment transactions, the Company measures the goods and services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, using an option pricing model.

The expense is recognized over the vesting period of the options or units granted and is recognized as an expense in earnings or capitalized as an exploration and evaluation asset with a corresponding credit to share-based compensation reserve. Any consideration paid by employees and non-employees on exercise of stock options is credited to share capital combined with any related share-based compensation expense originally recorded in share-based compensation reserve.

**Canada Nickel Company Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended October 31, 2023 and 2022**  
(Expressed in Canadian Dollars)

**2. Significant accounting policies (continued)**

Loss per share

The Company presents basic and diluted loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares to the extent that they are not anti-dilutive.

In periods that the Company reports a net loss, per share amounts are not presented on a diluted basis as the result would be anti-dilutive.

Exploration and evaluation assets

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility, and the assessment of commercial viability of an identified resource.

Exploration and evaluation costs incurred prior to obtaining licenses are expensed in the period in which they are incurred. Once the legal right to explore has been acquired, exploration and evaluation costs incurred are capitalized. Acquisition costs incurred in connection with the terms of option agreements and purchase agreements are capitalized. All capitalized exploration and evaluation costs are recorded at acquisition cost and are monitored for indications of impairment. Where there are indications of a potential impairment, an assessment is performed for recoverability. Capitalized costs are charged to the consolidated statements of loss and comprehensive loss to the extent that they are not expected to be recovered.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets are tested for impairment and transferred to "Mines under construction". There is no amortization during the exploration and evaluation phase.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalized as part of the cost of the respective asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred.

Where surplus funds are available for a short term from funds borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalized and deducted from the total capitalized borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred. Even though exploration and evaluation assets can be qualifying assets, they generally do not meet the "probable economic benefits" test. Any related borrowing costs incurred during this phase are therefore generally recognized in profit or loss in the period they are incurred.

**Canada Nickel Company Inc.**  
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**2. Significant accounting policies (continued)**

Equipment and right-of-use assets

Equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. When parts of an item of plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment.

Depreciation is calculated using the using the straight-line method over the estimated useful life of the asset.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statement of loss and comprehensive loss in the period the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial period end, and adjusted if appropriate.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. After initial measurement, the amount of lease obligations is increased to reflect the accretion of interest and reduced for the lease payments made.

The Company presents right-of-use assets in equipment and right-of-use assets on the consolidated statements of financial position and lease obligations in accounts payable and accrued liabilities on the consolidated statements of financial position.

The Company has elected to apply the exemptions not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

**Canada Nickel Company Inc.**  
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**2. Significant accounting policies (continued)**

Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to income taxes in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Impairment of non-current assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is an indication of impairment, then the asset's recoverable amount is estimated.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.



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**2. Significant accounting policies (continued)**

Impairment of non-current assets (continued)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of loss and comprehensive loss.

Financial instruments

*Classification*

Summary of the Company's classification and measurements of financial assets and liabilities

	<u>Classification</u>	<u>Measurement</u>
Cash and cash equivalents	FVTPL	Fair value
Accounts receivable	Amortized cost	Amortized cost
Short-term loan facility	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

The Company classifies its financial assets and financial liabilities in the following measurement categories i) those to be measured subsequently at fair value through profit or loss (FVTPL); ii) those to be measured subsequently at fair value through other comprehensive income (FVOCI); and iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

*Financial assets at fair value through other comprehensive income*

Equity instruments that are not held-for-trading can be irrevocably designated to have their change in fair value recognized through comprehensive income instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments.

Attributable transaction costs are included in the carrying value of the instruments. Financial assets at fair value through other comprehensive income are initially measured at fair value and changes therein are recognized in other comprehensive income.

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**2. Significant accounting policies (continued)**

Financial instruments (continued)

*Measurement*

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

*Impairment of financial assets*

Financial assets, other than those classified at fair value through profit and loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information. For trade receivables only, the Company applies the simplified approach as permitted by IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Evidence of impairment may include indications that the counterparty debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

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**2. Significant accounting policies (continued)**

Critical accounting judgements and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and related disclosure. Judgement is used mainly in determining how a balance or transaction should be recognized in the consolidated financial statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. Actual results may differ from these estimates.

*(a) Accounting judgement*

Significant areas where management's judgement has been applied include:

(i) Exploration and evaluation assets

Judgement is required to determine whether future economic benefits are likely from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of economic recoverability. In addition, management applies a number of estimates and assumptions in its assessments of economic recoverability and probability of future economic benefit including geologic information, scoping and feasibility studies (if any), accessible facilities, existing permits and estimated future cash flows.

(ii) Functional and presentation currency

The functional and presentation currency for the Company and its subsidiaries applies estimates and assumptions to assess the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgements to determine the primary economic environment. The Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

(iii) Going concern

Significant judgements used in the preparation of these consolidated financial statements include but are not limited to those relating to the assessment of the Company's ability to continue as a going concern. Judgement is required to determine the non-discretionary spending for the next 12 months and the potential cash in-flows for the same period.

(iv) Income taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

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**2. Significant accounting policies (continued)**

Critical accounting judgements and estimates (continued)

(v) Deferred taxes

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that is probable that future taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax assets and unused tax losses can be utilized. In addition, the valuation of tax credits receivable requires management to make judgements on the amount and timing of recovery.

(b) *Use of estimates*

As described above estimates and assumptions are contemplated with the described judgements. In addition, other significant areas requiring the use of management estimates and assumptions include:

(i) Impairment of non-current assets

Non-current assets are tested for impairment if there is an indicator of impairment. The impairment analysis generally requires the use of estimates and assumptions, including amongst others, long-term commodity prices, discount rates, length of mine life, future production levels, future operating costs, future capital expenditures and tax estimates. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances the carrying value of the assets may be impaired with the impact recorded in the consolidated statements of loss and comprehensive loss.

(ii) Decommissioning liability

The Company's accounting policy for the recognition of accrued site closure costs requires significant estimates and assumptions such as the requirements of the relevant legal and regulatory framework, the magnitude of possible disturbance and the timing, extent and costs of required closure, rehabilitation activity and applicable discount rates. Changes to these estimates and assumptions may result in actual expenditures in the future differing from the amounts currently provided. The decommissioning liability is periodically reviewed and updated based on the available facts and circumstances.

(iii) Share-based compensation, warrants and compensation options

The Company makes certain estimates and assumptions when calculating the fair values of share-based compensation and warrants granted. The significant estimations and assumptions include expected volatility, expected life, expected dividend rate, forfeiture rate and risk-free rate of return.

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**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 adjusts 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 October 31, 2023 is \$156,040,561.

**4. Exploration and evaluation assets**

	Balance October 31 2021	Additions for the year ended October 31 2022	Balance October 31 2022	Additions for the year ended October 31 2023	Balance October 31 2023
	\$	\$	\$	\$	\$
Acquisition costs:					
Cash paid/payable	2,695,000	1,321,000	4,016,000	4,885,408	8,901,408
Loan forgiven	160,224	-	160,224	-	160,224
Shares issued/to be issued	9,481,020	26,881,110 <sup>(1)</sup>	36,362,130	1,553,104	37,915,234
Texmont fair value increase	-	-	-	1,530,000	1,530,000
Drilling	17,682,223	24,350,507	42,032,730	6,414,355	48,447,085
Assays	2,614,091	2,785,046	5,399,137	2,631,057	8,030,194
Geological	2,672,133	3,180,393	5,852,526	331,144	6,183,670
Consulting	3,363,238	10,852,448	14,215,686	9,133,252	23,348,938
Mineralogy	2,755,611	4,000,739	6,756,350	1,168,062	7,924,412
Access road	1,697,555	637,791	2,335,346	-	2,335,346
Obligations to stakeholders	1,344,849	2,785,242	4,130,091	3,694,270	7,824,361
Support costs	2,838,963	4,525,261	7,364,224	5,475,125	12,839,349
	<b>47,304,907</b>	<b>81,319,536<sup>(2)</sup></b>	<b>128,624,444</b>	<b>36,815,777<sup>(2)</sup></b>	<b>165,440,221</b>

(1) Includes value of \$1,388,000 for shares that were issued in 2023.

(2) Cash flow spend as per the consolidated statements of cash flows excludes non-cash payments and net payables.

Fiscal year 2022:

On December 17, 2021, the Company acquired from Noble, the five properties it previously had options for (Crawford-Nesbitt-Aubin, Nesbitt North, Aubin-Mahaffy, Kingsmill-Aubin, and MacDiarmid) and the option it held for additional claims adjacent to the original MacDiarmid property (the MacDiarmid Option) (together the "Transaction") plus additional claims held by Noble. Under the terms of the Transaction, the option agreements with Noble were terminated and Canada Nickel acquired 100% of the optioned claims and other interests in return for 3.5 million of the Company's common shares. The Transaction also provides Canada Nickel with the right to re-purchase 1% (half) of the 2% royalty held by Noble in respect of certain properties for a re-purchase price of \$1.5 million per property if re-purchased during the one-year period after closing, increasing to \$2.5 million per property if re-purchased during the second year after closing.

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**4. Exploration and evaluation assets (continued)**

As a result of this transaction, the Company owns 100% of the following six properties – Crawford/Nesbitt/Aubin, Nesbitt North, Aubin/Mahaffy, Kingsmill/Aubin, MacDiarmid and Bradburn/Dargavel.

Through the remainder of fiscal year 2022, the Company entered into 26 separate agreements (“2022 Agreements”) to directly acquire or earn-in to 17 additional target properties within a 100 kilometre radius of Crawford and to expand five other properties previously owned. The consolidation of these properties underscores the Company’s belief in the district-scale potential of the Timmins region.

Under the 2022 Agreements, Canada Nickel agreed to issue the shares and pay the cash listed in the table below and in most agreements has agreed that each of the sellers will retain a net smelter royalty (“NSR”) that ranges between 1% and 2%, with Canada Nickel having the right to re-purchase 50% of the royalty for \$500,000 (with respect to a 1% NSR) or \$1 million (with respect to a 2% NSR).

In total for these acquisitions the Company may pay up to \$2,237,000 in cash and issue up to 6,478,000 in shares. The table below also shows the payments made to October 31, 2023 and the additional aggregate payments required to maintain the acquisition or earn-in to the properties post signing.

	Cash	Shares
	\$	#
Fiscal Year 2022	797,000	5,012,000
Fiscal Year 2023	440,000	1,001,000
	<b>1,237,000</b>	<b>6,013,000</b>
<i>Remaining payments:</i>		
Fiscal year 2024	300,000	220,000
Fiscal year 2025	300,000	105,000
Fiscal years 2026	400,000	140,000
	<b>1,000,000</b>	<b>465,000</b>

In addition, under the 2022 Agreements there are commitments to fund exploration expenditures of at least \$2.4 million in fiscal years 2022 and 2023 (all of which has been spent as of October 31, 2023) and \$3.2 million in fiscal years 2025 and 2026 on certain properties to earn-in.

The above table includes two significant option agreements:

The Midlothian Property was acquired under an Option Agreement with Canadian Gold Miner Corp. (70% interest) and Laurion Mineral Exploration Inc. (30% interest), collectively the vendors. Under the terms of the agreement, Canada Nickel can earn a 100% interest in the property through cash and share payments and a commitment to \$500,000 of exploration expenditures within the first twelve months of the agreement (by February 2023 and has been spent). On or before the fourth anniversary (February 2026), Canada Nickel will complete an exploration program having a cumulative value of \$2.5 million (including the first year expenditures of \$0.5 million). Cash and share payments paid in 2022 (on acquisition) were \$50,000 and 100,000 respectively and in 2023 the Company made a \$100,000 cash payment and issued 35,000 common shares. In subsequent years payments are \$200,000 and 70,000 common shares (February 2024), \$300,000 and 105,000 common shares (November 2023) and \$400,000 and 140,000 common shares (November 2025). The vendors will retain an NSR of 4% for gold and 2% for nickel with a commercial production payment of \$4.0 million. Canada Nickel will retain a 1% NSR buy-back right for aggregate payments of \$2.5 million. The Option Agreement includes clauses for acceleration of the exploration program and payment in lieu of exploration expenditures.

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**4. Exploration and evaluation assets (continued)**

An agreement with Noble to earn-in and acquire up to an 80% interest in approximately 625 single cell mining claims (the "Claims") in Mann, Hanna, Duff and Reaume Townships (the "Noble Option Agreement") and to acquire 198 mineral rights only patented properties in Kingsmill and Mabee Townships. The Noble Option Agreement required an initial payment to Noble of \$100,000 and 250,000 Common Shares, a payment in July 2022 of \$100,000 and a payment in July 2023 of \$100,000 (all payments included in the table above and paid in 2022 and 2023), a further payment to Noble of \$350,000, or at Noble's option the issuance to Noble of 150,000 common shares of Canada Nickel in lieu of that cash payment in early 2024, and a further \$100,000 in July 2024. These payments along with incurring at least \$500,000 of exploration expenditures on the properties by approximately December 31, 2022 (completed) would provide Canada Nickel the right to acquire a 60% interest in the Claims. After earning that 60% interest, Canada Nickel would have the option to increase its interest in the claims to 80% by incurring additional exploration expenditures of at least \$1,200,000 on the properties by approximately July 15, 2025. In addition, Noble will retain a 2% net smelter return royalty on the 304 staked claims that are subject to the Option Agreement (subject to Canada Nickel having the right to purchase 50% of that royalty for a payment of \$1,000,000). Noble will also retain the right to purchase up to 25% of the 2% royalty held by third parties on other parts of the claims that are subject to the Option Agreement (with Canada Nickel having the right to purchase another 25% of those royalties).

Fiscal Year 2023:

In October 2022, the Company entered into a binding agreement to acquire a 100% interest (subject to certain third party rights described below) in 14 mining leases (Texmont property) in exchange for a \$250,000 cash payment (paid in October 2022) and in November 2022, as part of the transaction close, issuing a non-interest bearing promissory note of \$3.75 million which was due and paid on March 14, 2023. The transaction closed November 14, 2022 whereby the seller was also granted a 2% net smelter returns royalty, which can be bought down to 1% for \$2.5 million at the Company's option. The property has a legacy ownership interest of 15% and net profits interest of 10%. The Company is determining whether these interests are still valid.

The Texmont property was formerly an operating mine and mill briefly in years 1971-1972. Because of the previous operation, there are asset retirement obligations for various mine facilities and tailings which were only partly rehabilitated by the previous owner. The acquisition of Texmont was considered an asset acquisition for accounting purposes. The proceeds of \$4 million and costs to acquire of \$120,000 were allocated to the net assets of Texmont as follows:

	\$
Exploration and evaluation assets	5,650,000
Asset retirement obligation (note 7)	(1,530,000)
Proceeds for acquisition	4,120,000

In September 2023, the Company acquired additional mining claims expanding the ownership around the Texmont ultramafic trend in exchange for a total of 504,500 common shares and cash payments totaling \$295,550. The Company has also agreed, under 10 of the 11 agreements entered, to grant a 2.0% net smelter returns royalty to the applicable vendors on such claims, with the Company having the exclusive option to repurchase half of each royalty for \$1,000,000 per royalty.

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**4. Exploration and evaluation assets (continued)**

In addition, also in 2023, the Company entered an agreement with a group of vendors under which the Company acquired a 100% interest in 170 single cell mining claims and 23 boundary cell mining claims located in the Timmins area in return for the issuance by the Company of up to a total of 100,000 common shares, and the payment to the vendors of a total of \$90,000. In 2023, the Company paid \$29,858 and issued 20,314 common shares of this obligation. The vendors will retain a 2.00% NSR with a 1.00% buy-back provision to the Company for \$1.0 million.

The Company, in 2023, made payments on other option agreements totalling \$510,000 and issuing 5,000 shares. Excluding the 2022 Agreements, the Company has additional obligations under other option agreements, as follows:

	Cash	Shares
	\$	#
Fiscal year 2024	271,563	84,688
Fiscal year 2025	210,000	5,000
Fiscal years 2026	460,000	5,000
	941,563	94,688

**5. Equipment and right-of-use assets**

	Right-of-use assets	Equipment	Total
	\$	\$	\$
Balance, October 31, 2021	115,026	412,758	527,784
Additions	96,531	226,004	322,535
Depreciation	(81,753)	(99,464)	(181,217)
Balance, October 31, 2022	129,804	539,298	669,102
Additions	274,540	123,574	398,114
Depreciation	(113,875)	(116,582)	(230,457)
<b>Balance, October 31, 2023</b>	<b>290,469</b>	<b>546,289</b>	<b>836,759</b>

Depreciation for equipment and right-of-use assets is recorded in Exploration and evaluation assets on the consolidated statements of financial position. At October 31, 2023, a lease liability of \$98,121 (October 31, 2022 - \$133,863) related to the right-of-use assets is recorded in accounts payable and accrued liabilities and \$204,778 recorded as a long-term liability.



**Canada Nickel Company Inc.**  
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**6. Short-term loans**

On January 5, 2022, the Company closed a secured loan facility with Auramet International LLC (“Auramet LLC”) for US\$10 million. The loan was repaid on its maturity of April 5, 2022. Interest expense accrued on the unpaid principal amount at a rate of 12% per annum monthly in arrears. Interest of \$384,662 was expensed in transaction costs and interest expense, and repaid on April 5, 2022.

The Company paid an arrangement fee equal to 2 percent of the loan amount and issued 325,000 common share purchase warrants (“Auramet LLC warrants”). Each of the Auramet LLC warrants entitles Auramet LLC to acquire one common share of the Company at a price of \$3.94 per share until January 5, 2023. The Auramet LLC warrants issued were assigned an aggregate fair value of \$283,140 using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, expected volatility 65%, risk-free rate of return 1.0% and expected one year life. The fair value of the warrants as well as the arrangement fee and other transaction costs were amortized over the three-month maturity in transaction costs and interest expense. The Auramet LLC warrants expired unexercised.

On October 18, 2022, the Company closed a secured loan facility with Auramet International, Inc. (“Auramet Inc. October 2022”) for US\$10 million. At October 31, 2022 the loan payable including interest and net of deferred arrangement fees was \$13,291,981. The loan is secured and matured on January 18, 2023, and at the Company’s option it extended the loan for a further 45 day period which matured and was repaid on March 3, 2023. Interest expense accrued on the unpaid principal amount at a rate of 12% per annum monthly in arrears until January 18, 2023 and upon extension of the facility, interest accrued at a rate of 15% per annum monthly in arrears. Interest of \$621,113 was expensed in the first 6 months of 2023 and included in transaction costs and interest expense in the consolidated statements of loss and comprehensive loss.

The Company paid an arrangement fee equal to 2 percent of the loan amount (\$309,240) and issued 325,000 common share purchase warrants (“Auramet Inc. October 2022 warrants”). Each of the Auramet Inc. October 2022 warrants entitles Auramet Inc. to acquire one common share of the Company at a price of \$1.52 per share until October 18, 2023. The Auramet Inc. October 2022 warrants issued were assigned an aggregate fair value of \$100,000 using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, expected volatility 60%, risk-free rate of return 4.0% and expected one year life. The fair value of the warrants as well as the arrangement fee and other transaction costs were amortized over the three-month maturity in transaction costs and interest expense in the consolidated statements of loss and comprehensive loss. The Auramet Inc. October 2022 warrants expired unexercised.

Upon extension of the facility on January 18, 2023, the Company paid an additional arrangement fee equal to US\$154,651 (\$207,836) and issued 200,000 common share purchase warrants (“Auramet Inc. October 2022 extension warrants”). Each of the Auramet Inc. October 2022 extension warrants entitles Auramet Inc. to acquire one common share of the Company at a price of \$1.94 per share until January 18, 2024. The Auramet Inc. October 2022 extension warrants issued were assigned an aggregate fair value of \$70,000 using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, expected volatility 65%, risk-free rate of return 3.7% and expected one year life. The fair value of the arrangement fee was amortized over the 45-day maturity in transaction costs and interest expense in the consolidated statements of loss and comprehensive loss. The Auramet Inc. October 2022 extension warrants expired unexercised.

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**6. Short-term loans (continued)**

On September 18, 2023, the Company closed a secured loan facility with Auramet Inc. for US\$12 million ("Auramet Inc. September 2023"). At October 31, 2023 the loan payable including interest and net of deferred arrangement fees was \$16,673,070. The loan is secured and matured on December 18, 2023, and at the Company's option it extended the loan for a further 2 month period which matures and is to be repaid on February 15, 2024 (see note 17). Interest expense accrued on the unpaid principal amount at a rate of 12% per annum monthly in arrears until December 18, 2023. Interest of \$238,093 was expensed in fiscal 2023 included in transaction costs and interest expense in the consolidated statements of loss and comprehensive loss.

The Company paid an arrangement fee equal to 2.3 percent of the loan amount (\$371,995) and issued 550,000 common share purchase warrants ("Auramet Inc. September 2023 warrants"). Each of the Auramet Inc. September 2023 warrants entitles Auramet Inc. to acquire one common share of the Company at a price of \$1.24 per share until September 18, 2024. The Auramet Inc. September 2023 warrants issued were assigned an aggregate fair value of \$169,180 using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, expected volatility 61.11%, risk-free rate of return 4.74% and expected one year life. The fair value of the warrants as well as the arrangement fee and other transaction costs are being amortized over the three-month maturity in transaction costs and interest expense in the consolidated statements of loss and comprehensive loss. On January 23, 2024 the Auramet Inc. September 2023 warrants were exercised with proceeds of \$682,000 received by the Company.

A summary of the transaction costs and interest expense related to each short-term loan facility for the year ended October 31, 2023 are as follows:

	<u>Auramet Inc</u> <u>October 2022</u>	<u>Auramet Inc.</u> <u>September 2023</u>	<u>Total</u> <u>2023</u>
	\$	\$	\$
Arrangement fee	207,836	405,692	<b>613,528</b>
Warrant cost	70,000	169,180	<b>239,180</b>
Deferral of arrangement fee and warrant cost	350,722	(298,584)	<b>52,138</b>
Interest expense	621,113	238,093	<b>859,206</b>
Foreign exchange	42,220	470,613	<b>512,833</b>
Transaction costs and interest expense	1,291,891	984,994	<b>2,276,885</b>

A summary of the transaction costs and interest expense related to the short-term loan facilities for the year ended October 31, 2022 are as follows:

	<u>Auramet LLC</u>	<u>Auramet Inc.</u> <u>October 2022</u>	<u>Total</u> <u>2022</u>
	\$	\$	\$
Arrangement fee	286,315	309,240	595,555
Warrant cost	283,140	100,000	383,140
Deferral of arrangement fee and warrant cost	-	(350,722)	(350,722)
Interest expense	384,662	59,453	444,115
Foreign exchange	(146,883)	65,749	(81,134)
Transaction costs and interest expense	807,234	183,720	990,954

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**7. Asset retirement obligation**

The asset retirement obligation consists of reclamation and closure cost estimates for the Texmont property. The undiscounted cash flow amount of the total obligation on acquisition date of March 14, 2023 was \$1.8 million and the present value of the obligation was estimated at \$1,530,000. The discount rate used by the Company is based on prevailing risk-free pre-tax rates in Canada for periods of time which coincide with the period over which the decommissioning costs are discounted.

The following table summarizes the assumptions used in the asset retirement obligation estimate:

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Risk free interest rate	4.0%
Inflation rate	2.0%
Expected life (depending on reclamation plan)	6 years

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The balance at October 31, 2023 of \$1,547,867 includes the effect of interest expense on discounting obligations. The Texmont property was acquired with an obligation to remediate environmental damage not fully rehabilitated by the previous owner. The cash flow estimates of the obligation were prepared considering multiple scenarios and assigning a probability weighted estimate. If the Company proceeds with mining at the property, the current remediation requirements will be integrated into the development of the mine.

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**8. 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***

		2022		2023	
	Note	Number of Common Shares	Share Capital	Number of Common Shares	Share Capital
		#	\$	#	\$
<b>Balance, October 31</b>		88,383,650	51,036,468	<b>113,067,836</b>	<b>122,126,306</b>
Share issuance - acquisitions	4	8,517,000	25,649,110	<b>1,234,738</b>	<b>1,553,104</b>
Share issuance – equity financings, net	8	15,364,708	48,177,253	<b>23,794,597</b>	<b>44,582,756</b>
Flow through share premium		-	(5,942,672)	-	(2,045,511)
Share issuance – warrants exercised	9	43,323	73,251	<b>15,000</b>	<b>17,380</b>
Warrants exercised and shares issued in 2023		-	62,069	<b>54,330</b>	-
Share issuance – exercise compensation options		26,550	66,813	-	-
Share issuance – stock options exercised	10	320,833	158,935	<b>1,829,168</b>	<b>799,164</b>
Share issuance – RSUs exercised	11	333,469	503,400	<b>1,303,325</b>	<b>2,611,596</b>
Shares issued to settle accounts payable		78,303	58,800	<b>173,150</b>	<b>233,365</b>
Shares (to be) issued to settle accounts payable	8	-	1,388,000	<b>350,000</b>	-
Deferred tax on share issuance costs		-	894,879	-	-
<b>Balance, October 31</b>		<b>113,067,836</b>	<b>122,126,306</b>	<b>141,822,144</b>	<b>169,878,160</b>

2023 equity financings:

The Company received gross proceeds of \$46.3 million in March 2023 from two financing arrangements:

On February 8, 2023, the Company entered into a Subscription and Investor Rights agreement with Anglo American Marketing Limited (“Anglo American”) to make a \$24.5 million investment in Canada Nickel at a price of \$1.95 per Common Share, a 10% premium to the 30-day volume weighted average price. Upon completion of the private placement Anglo American owned 12,569,235 common shares or 9.9% of the Company’s issued and outstanding Common Shares on a non-diluted basis. The agreement contains customary investor rights, including Anglo American’s pro rata right in any future issuance of Common Shares or any securities that are or may become convertible, exchangeable or exercisable into Common Shares to maintain its shareholding as long as they hold 7.5% or more of the issued and outstanding shares of the Company.

In addition, Canada Nickel has entered into an Offtake Term Sheet with Anglo American pursuant to which the Company has granted to Anglo American an exclusive right to purchase up to ten per cent (10%) of recoveries of nickel concentrate, iron and chromium contained in the magnetite concentrates and any corresponding carbon credits from the Company’s Crawford Project until the delivery of 65,000 tonnes of nickel or a term of 15 years, whichever is later. The offtake is based on customary marketing terms and will be based on market terms for the specific products produced. If Canada Nickel utilizes any of the Anglo American technologies, Anglo American shall have the offtake rights to 100% of the incremental quantity of nickel products, related products, and carbon credits produced utilizing these technologies.

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**8. Share capital (continued)**

Canada Nickel has also entered into a Material Transfer and Technology Testing Agreement with Anglo American to assess opportunities to add value to Crawford from its FutureSmart Mining™ technology program. Anglo American will receive ore samples from Crawford for testing to assess opportunities to improve processing recoveries and reduce the project's overall energy, water and emission footprint. This Agreement will remain in force until 12 months after the delivery of a sample of ore in an amount of at least one hundred (100) tonnes from Canada Nickel to Anglo American, expected by 2024. For the duration of this agreement, Canada Nickel agreed to deal exclusively with Anglo American in those areas where FutureSmart Mining™ technologies apply.

Also on February 8, 2023, the Company entered into an agreement with Scotiabank to act as lead underwriter and sole bookrunner on behalf of a syndicate of underwriters (collectively, the "Underwriters") pursuant to which the Underwriters have agreed to purchase for resale (or arrange for purchase by substituted purchasers) the following equity securities of the Company on a bought deal basis for aggregate gross proceeds to the Company of \$18.2 million (the "Public Offering"):

- i. 7,462,500 common shares of the Company (each, a "Common Share") at a price of \$1.77 per Common Share; and
- ii. 1,748,300 common shares of the Company to be issued as "flow-through shares" within the meaning of the Income Tax Act (Canada) (the "Tax Act") (each, a "FT Share", and together with the Common Shares, the "Offered Securities") at a price of \$2.86 per FT Share.

In addition, the Company provided Anglo American with the right to concurrently subscribe for Common Shares in order to maintain a 9.9% interest (which interest Anglo American acquired on the closing of the Subscription and Investor Rights agreement) on a non-brokered private placement basis for aggregate gross proceeds to the Company of \$1.7 million (the "Concurrent Private Placement" and together with the Public Offering, the "Offering").

In connection with the Public Offering, the Company granted to the Underwriters an option (the "Over Allotment Option"), exercisable in whole or in part for a period of 30 days after and including the closing date of the Public Offering, to purchase any combination of additional Offered Securities for additional gross proceeds of up to 15% of the gross proceeds raised under the Public Offering to cover over allotments, if any, and for market stabilization purposes.

An amount equal to the gross proceeds from the issuance of the FT Shares will be used to incur eligible resource exploration expenses which will qualify as (i) "Canadian exploration expenses" (as defined in the Tax Act), and (ii) "flow-through critical mineral mining expenditures" (as defined in subsection 127(9) of the Tax Act) (collectively, the "Qualifying Expenditures"). Qualifying Expenditures in an aggregate amount equal to the gross proceeds raised from the issuance of the FT Shares will be renounced to the initial purchasers of the FT Shares with an effective date no later than December 31, 2023. The flow-through common shares were issued at a premium to the market price in recognition of the tax benefits accruing to subscribers and as a result the Company recorded a share premium liability of \$2,045,511 and has an obligation to incur \$5,000,138 in eligible Canadian exploration expenditures ("CEE") by December 31, 2023, all of which has been incurred by October 31, 2023.

The Underwriters received a cash commission of 6.0% of the gross proceeds of the Public Offering. No commission is payable to the Underwriters in respect of the Concurrent Private Placement.

On March 2, 2023 both financings closed. Gross proceeds of \$26,196,151 were received from Anglo American which had subscribed for (i) 12,569,235 common shares in the capital of the Company ("Common Shares") at \$1.95 per Common Share, and (ii) 952,623 Common Shares at \$1.77 per Common Share (collectively, the "Anglo American Investment"). The Company also concurrently closed its Offering for aggregate gross proceeds of \$18,208,763.

# Canada Nickel Company Inc.

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#### 8. Share capital (continued)

Subsequently, on March 7, 2023 the Underwriters partially exercised their Over Allotment Option and purchased an additional 950,000 common shares of the Company at a price of \$1.77 per Common Share for aggregate gross proceeds of \$1,681,500. The Underwriters received an aggregate cash commission of 6.0% of the gross proceeds raised from the sale of the Common Shares in connection with the Over Allotment Option.

The net proceeds raised under the Public Offering, including the net proceeds raised from the sale of the Common Shares under the Over-Allotment Option, will be used primarily for the exploration and advancement of the Company's Crawford Nickel Project, repayment of the Auramet Inc. 2022 loan facility (made on March 3, 2023) and for general working capital purposes.

Following the completion of the Over Allotment Option, Anglo American also purchased an additional 111,939 common shares of the Company at a price of \$1.77 per Common Share for aggregate gross proceeds of \$198,132. Upon completion of the Anglo American Investment, Anglo American holds 13,633,797 Common Shares of the Company, which represented 9.9% of the issued and outstanding Common Shares at that time.

#### 2022 equity financings:

On April 5, 2022, the Company closed a "bought deal" offering (the "Bought Deal Offering") and received aggregate gross proceeds of \$51,554,157 (\$48,242,253 after payment of issuance costs), which included the exercise of the Underwriters' over-allotment option. Under the Offering, the Company sold the following:

- 10,440,050 common shares of the Company at a price of \$3.10 per common share;
- 3,424,658 traditional flow-through shares of the Company at a price of \$3.65 per traditional flow-through share; and
- 1,500,000 charity flow-through shares at a price of \$4.46 per charity flow-through share.

The Bought Deal Offering was completed pursuant to an underwriting agreement dated March 14, 2022 entered into among the Company and a syndicate of underwriters led by Red Cloud Securities Inc., and including Clarksons Platou Securities SA, Scotia Capital Inc., BMO Nesbitt Burns Inc., Cormark Securities Inc., Echelon Wealth Partners Inc., Haywood Securities Inc., Research Capital Corporation (collectively, the "Underwriters"). In connection with the Offering the Underwriters received an aggregate cash commission of \$3,086,103.

On April 5, 2022 the Company used a portion of the net proceeds of the Bought Deal Offering and repaid its US\$10 million short term loan facility with Auramet LLC plus related interest of US\$0.3 million (see Note 6). The remaining net proceeds were earmarked for continued development of the Crawford Project through additional studies, infrastructure design and exploration, including to undertake in-fill drilling to upgrade the current resource and proceed towards a feasibility study. In addition, the Company plans to use the net proceeds of the Offering on initial exploration work on mineral claims in the same region as Crawford ("District Exploration").

The flow-through common shares were issued at a premium to the market price in recognition of the tax benefits accruing to subscribers and as a result the Company recorded a share premium liability of \$5,942,672 and has an obligation to incur \$19,190,002 in eligible CEE by December 31, 2022, all of which has been incurred.

#### Shares to settle accounts payable:

In December 2021 (fiscal year 2022), the Company acquired a property that had an obligation due in January 2023 to pay an additional \$200,000 and issue 350,000 common shares of Canada Nickel valued at \$1,232,000. Payment was made in January 2023.

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**9. Warrants and compensation options**

The following table reflects the continuity of warrants and compensation options for year ended October 31, 2023 and 2022:

	Number of warrants	Number of compensation options
	#	#
Balance, October 31, 2021	170,460	26,550
Issued (note 6)	650,000	-
Warrants issued on exercise of compensation options	13,275	-
Exercised	(97,653)	(26,550)
Expired	(62,250)	-
Balance, October 31, 2022	<b>673,832</b>	-
Issued (note 6)	750,000	-
Exercised	(15,000)	-
Expired	(658,832)	-
<b>Balance, October 31, 2023</b>	<b>750,000</b>	-

The following table reflects the warrants and compensation options outstanding as at October 31:

Grants	Exercise Price	Outstanding as at October 31 2022	Outstanding as at October 31 2023	Expiry Date	Remaining Life (years)
	\$				
May 5, 2020 broker warrants	0.35	81	-	5-Nov-22	-
May 5, 2020 broker warrants	0.40	141	-	5-Nov-22	-
May 5, 2020 broker warrants	0.46	23,610	-	5-Nov-22	-
Warrants issued to Auramet LLC	3.94	325,000	-	5-Jan-23	-
Warrants issued to Auramet Inc.	1.52	325,000	-	18-Oct-23	-
Warrants issued to Auramet Inc.	1.94	-	<b>200,000</b>	18-Jan-24	0.2
Warrants issued to Auramet Inc.	1.24	-	<b>550,000</b>	18-Sep-24	0.9
	1.68	673,832	<b>750,000</b>		0.6

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**10. Stock options**

The following table reflects the continuity of stock options for the year ended October 31:

	2022	2023
	#	#
Balance, beginning of fiscal period	5,221,585	6,377,252
Stock options granted	1,646,500	2,920,400
Exercised	(320,833)	(1,829,168)
Forfeited	(170,000)	(434,583)
<b>Balance, October 31</b>	<b>6,377,252</b>	<b>7,033,901</b>

The following table reflects stock options outstanding October 31, 2023 and 2022:

Grant Date	Exercise Price	Outstanding as at October 31 2022	Outstanding as at October 31 2023	Vested and outstanding as at October 31 2023	Expiry Date	Remaining Life (years)
	\$	#	#	#		
January 13, 2020	0.25	2,870,419	972,501	972,501	13-Jan-25	1.3
February 18, 2020	0.25	275,000	275,000	275,000	18-Feb-25	1.3
August 12, 2020	1.87	53,333	40,000	40,000	12-Aug-25	1.8
October 27, 2020	1.62	337,500	337,500	337,500	27-Oct-25	2.0
November 1, 2020	1.62	360,000	360,000	240,000	1-Nov-25	2.0
December 8, 2020	1.88	100,000	100,000	66,667	8-Dec-25	2.1
February 22, 2021	3.63	704,500	614,000	409,330	22-Feb-26	2.3
June 16, 2021	3.57	15,000	15,000	10,000	16-June-26	2.7
June 23, 2021	3.39	35,000	-	-	23-June-26	2.7
November 15, 2021	2.95	61,500	50,000	16,667	15-Nov-26	3.0
December 22, 2021	3.49	140,000	90,000	29,999	22-Dec-26	3.2
January 24, 2022	3.51	100,000	100,000	33,333	24-Jan-27	3.3
February 21, 2022	3.51	70,000	70,000	23,333	21-Feb-27	3.3
March 14, 2022	3.14	920,000	870,000	290,003	14-Mar-27	3.4
April 18, 2022	2.60	100,000	100,000	33,333	18-Apr-27	3.5
May 12, 2022	2.06	70,000	70,000	23,333	12-May-27	3.5
May 16, 2022	2.03	45,000	45,000	15,000	16-May-27	3.5
July 11, 2022	1.75	20,000	20,000	6,666	11-July-27	3.7
August 10, 2022	1.72	40,000	-	-	10-Aug-27	3.8
September 14, 2022	1.59	60,000	60,000	20,000	14-Sept-27	3.9
December 23, 2022	1.78	-	430,900	-	23-Dec-27	4.2
February 13, 2023	1.78	-	1,890,000	-	13-Feb-28	4.4
June 21, 2023	1.30	-	170,000	-	21-Jun-28	4.7
July 10, 2023	1.25	-	24,000	-	10-Jul-28	4.7
September 4, 2023	1.16	-	180,000	-	4-Sep-28	4.8
October 10, 2023	1.16	-	150,000	-	10-Oct-28	4.9
		6,377,252	<b>7,033,901</b>	2,842,665		3.2
Weighted average exercise price		\$1.53	<b>\$1.87</b>			



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**10. Stock options (continued)**

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 \$2,060,796, and \$2,172,860 for the years ended October 31, 2023 and 2022, respectively to the consolidated statements of loss and comprehensive loss and recorded \$766,543 of share-based compensation expense as an increase to exploration and evaluation asset on the consolidated statements of financial position as at October 31, 2023 (\$706,526 as at October 31, 2022).

The following table summarizes the average assumptions used in the Black-Scholes valuation model for the determination of the cost of stock options issued during the years ended October 31, 2023 and 2022.

	<b>2022</b>	<b>2023</b>
Risk free interest rate	1.87%	<b>3.86%</b>
Expected life (years)	4.5	<b>4.1</b>
Volatility	101%	<b>91%</b>
Expected dividends	0.00%	<b>0.00%</b>
Fair value of options issued	\$2.19	<b>\$1.06</b>

**11. Restricted share units ("RSUs")**

The following table reflects the continuity of RSUs for the years ended October 31:

	<b>2022</b>	<b>2023</b>
	#	#
Balance, beginning of fiscal period	2,809,484	<b>3,655,102</b>
RSUs granted	1,200,221	<b>2,089,784</b>
Redeemed	(345,281)	<b>(1,303,325)</b>
Forfeited	(9,322)	<b>(42,400)</b>
<b>Balance, October 31</b>	<b>3,655,102</b>	<b>4,399,161</b>

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**11. Restricted share units (“RSUs”) (continued)**

The following table reflects the continuity of RSUs for the years ended October 31:

<b>Grant Date</b>	<b>Grant Date Price and Fair Value</b>	<b>Outstanding as at October 31 2022</b>	<b>Outstanding as at Oct 31 2023</b>	<b>Vest Date</b>	<b>Vested as at Oct 31 2023</b>
	\$	#	#		#
March 3, 2020	0.52	1,393,190	<b>910,000</b>	March 3, 2023	<b>910,000</b>
August 12, 2020	1.87	20,000	<b>20,000</b>	August 12, 2022	<b>20,000</b>
October 27, 2020	1.62	112,500	<b>112,500</b>	October 27, 2022	<b>112,500</b>
November 1, 2020	1.62	230,000	<b>115,000</b>	November 1, 2022	<b>115,000</b>
December 8, 2020	1.88	48,617	-	December 8, 2022	-
February 22, 2021	3.63	612,386	<b>394,445</b>	February 22, 2023	<b>394,445</b>
July 1, 2021	3.54	50,000	<b>50,000</b>	July 1, 2022	<b>50,000</b>
November 15, 2021	2.95	39,000	-	November 15, 2022	-
December 22, 2021	3.49	102,786	-	December 22, 2022	-
February 21, 2022	3.51	38,761	-	February 21, 2023	-
March 14, 2022	3.14	875,362	<b>749,834</b>	March 14, 2023	<b>749,834</b>
April 18, 2022	2.60	50,000	-	April 18, 2023	-
May 12, 2022	2.06	35,000	-	May 12, 2023	-
May 16, 2022	2.03	22,500	-	May 16, 2023	-
September 14, 2022	1.59	25,000	-	September 14, 2023	-
December 23, 2022	1.78	-	<b>249,933</b>	December 23, 2023	-
February 13, 2023	1.78	-	<b>1,563,449</b>	February 13, 2024	-
June 21, 2023	1.30	-	<b>47,000</b>	June 21, 2024	-
July 10, 2023	1.25	-	<b>22,000</b>	July 10, 2024	-
September 4, 2023	1.16	-	<b>90,000</b>	September 4, 2024	-
October 10, 2023	1.16	-	<b>75,000</b>	October 10, 2024	-
	<b>1.89</b>	<b>3,655,102</b>	<b>4,399,161</b>		<b>2,351,779</b>

RSUs vest on the anniversary date of the grant unless the holder agrees to extend their anniversary date by one year. Under the Company’s RSU rollover arrangement certain holders of RSUs elected to extend the applicable redemption date of the RSUs by twelve months in exchange for a supplemental grant equal to 10% of the number of extended RSUs.

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 \$2,561,430 and \$2,439,492 for the years ended October 31, 2023 and 2022, respectively to the Consolidated statements of loss and comprehensive loss and recorded \$1,110,459 of share-based compensation expense as an increase to exploration and evaluation asset on the Consolidated statements of financial position (\$961,610 as at October 31, 2022).

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**12. Loss per share**

	<b>For the years ended October 31</b>	
	<b>2023</b>	<b>2022</b>
Net loss	<b>\$14,224,877</b>	\$5,535,080
Weighted average number of common shares outstanding - basic	<b>131,238,316</b>	103,720,987
Effect of dilutive securities	-	-
Weighted average number of common shares outstanding - dilutive	<b>131,238,316</b>	103,720,987
<b>Loss per share – basic and diluted</b>	<b>\$0.11</b>	<b>\$0.05</b>

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

**13. Related party transactions and balances**

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 are as follows:

	<b>For the years ended</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Management and directors' fees	<b>1,445,166</b>	1,023,735
Share-based compensation	<b>4,431,080</b>	3,647,210
Geological services	<b>361,470</b>	335,992

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. At October 31, 2022, an amount of \$188,690 was payable to Balch Exploration Consulting Inc. related to geological services provided by Canada Nickel's Vice President, Exploration (nil at October 31, 2023).

# Canada Nickel Company Inc.

## Notes to the Consolidated Financial Statements

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#### 14. Commitments and contingencies

At October 31, 2023, the Company has \$3.4 million (October 31, 2022 - \$9.5 million) in payables owing with respect to exploration and evaluation assets and has lease obligations of \$109,065 related to fiscal 2023 and \$217,254 for fiscal years 2024 to 2027. Commitments on option properties are described in Note 4.

Canada Nickel entered into agreements with the Matachewan and Mattagami First Nations, Taykwa Tagamou Nation and Apitipi Anicinapek Nation in relation to exploration and development operations at Crawford. The agreements establish 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 Crawford Project area. The agreement also provides the communities with an opportunity to participate in the benefits of the Crawford Project through business opportunities, employment and training, financial compensation and consultation on environmental matters. Financial compensation includes a commitment to pay a specified percentage of the annual expenses related to the Company's exploration program and a three-year commitment of approximately \$1.6 million for specific impact assessment programs.

In the ordinary course of operating, the Company may from time to time be subject to various legal claims or possible legal claims. Management believes that there are no legal claims or possible legal claims that if resolved would either individually or collectively result in a material adverse impact on the Company's financial position, results of operations, or cash flows. These matters are inherently uncertain, and management's view of these matters may change in the future.

#### 15. Financial instruments

##### Fair values

At October 31, 2023, the Company's financial instruments consist of cash and cash equivalents, and accounts payable and accrued liabilities and short-term loans. 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 – cash and cash equivalents

Level 2 – none

Level 3 – none

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**15. Financial instruments (continued)**

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

- Credit risk
- Liquidity risk

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, and accounts receivable. 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. Harmonized sales tax receivable and accounts receivable consist of receivables created in the course of normal business.

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 October 31, 2023, the Company's financial liabilities consist of accounts payable and accrued liabilities and short-term loans, 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.

**16. Income taxes**

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2022 – 26.5%) to the effective tax rate is as follows:

	<b>For the years ended October 31</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Net loss before income taxes	<b>11,394,943</b>	3,377,748
Expected income tax recovery	<b>(3,019,660)</b>	(895,103)
Effect of flow-through renunciation	<b>5,660,557</b>	4,525,816
Share based compensation and non-deductible expenses	<b>731,097</b>	1,117,494
Flow-through share premium	<b>(542,060)</b>	(1,829,049)
Share issuance cost booked directly to equity	-	-
Change in tax benefits not recognized	-	(761,826)
Income tax expense	<b>2,829,934</b>	2,157,332

The Company's income tax expense is allocated as follows:

Current tax expense	-	-
Deferred tax expense	<b>2,829,934</b>	2,157,332
	<b>2,829,934</b>	2,157,332

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**16. Income taxes (continued)**

Deferred tax

The following table summarizes the components of deferred tax:

	<b>As at October 31</b>	
	<b>2023</b>	<b>2022</b>
	\$	\$
<b>Deferred tax assets:</b>		
Equipment and right-of-use assets	-	6,355
Short-term loan facility	<b>34,618</b>	-
Asset retirement obligation	<b>410,185</b>	-
Capital lease obligation	<b>80,268</b>	35,521
Share issuance costs	<b>1,554,507</b>	1,459,983
Operating tax losses carried forward	<b>6,824,227</b>	4,156,964
	<b>8,903,805</b>	5,658,824
<b>Deferred tax liabilities:</b>		
Equipment and right-of-use assets	<b>(5,327)</b>	-
Short-term loan facility	-	(69,536)
Resource pools – mineral properties	<b>(12,990,865)</b>	(6,851,920)
	<b>(12,996,192)</b>	(6,921,276)
<b>Net deferred tax liability</b>	<b>(4,092,387)</b>	(1,262,453)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Movement in net deferred tax liabilities:

	<b>As at October 31</b>	
	<b>2023</b>	<b>2022</b>
	\$	\$
Balance, beginning of the year	<b>(1,262,453)</b>	-
Recognized in consolidated statements of loss	<b>(2,829,934)</b>	(2,157,332)
Recognized in equity	-	894,879
<b>Balance, end of the year</b>	<b>(4,092,387)</b>	(1,262,453)

**Canada Nickel Company Inc.**  
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**17. Subsequent events**

- (a) On December 18, 2023, at the Company's option it extended the Auramet Inc. September 2023 US\$12 million short-term debt facility for a further 30 day period and matured January 18, 2024. Upon extension of the facility, the Company paid an additional arrangement fee equal to US\$185,519 and issued 350,000 common share purchase warrants ("Auramet Inc. September 2023 extension warrants"). Each of the Auramet Inc. September 2023 extension warrants entitles Auramet Inc. to acquire one common share of the Company at a price of \$1.19 per share until September 18, 2024. In addition, interest will accrue on the short-term debt outstanding, which includes interest accumulated and the additional arrangement fee, at a rate of 15% per annum monthly in arrears. On January 15, 2024 Auramet Inc. extended the maturity a further 30 days with no additional fees except the interest.
- (b) On January 2, 2024 the Company announced it had completed a brokered private placement consisting of 19,600,000 units of the Company (the "Flow-Through Units") at a price of \$1.77 per Flow-Through Unit, with each unit consisting of one flow-through common share of the Company and 0.35 of one flow-through common share purchase Warrant (the "Warrant"), as more particularly described below, for aggregate gross proceeds of \$34,692,000 (the "Agnico Eagle Offering"). Following closing of the Offering, Agnico Eagle Mines Limited ("Agnico Eagle") acquired the units, and as a result, holds approximately 12% of the Company's issued and outstanding common shares on a non-diluted basis, and 15.6% on a partially-diluted basis (assuming exercise of all of the Warrants).

Pursuant to the Agnico Eagle Offering, each Flow-Through Unit consists of (i) one common share of the Company, each of which will qualify as a "flow-through share" (as defined in subsection 66(15) of the Income Tax Act (Canada) (the "Tax Act")), and (ii) 0.35 of one purchase Warrant each of which will qualify as a "flow-through share" (as defined in subsection 66(15) of the Tax Act). Each whole Warrant shall entitle the holder thereof to acquire one Common Share of the Company (each, a "Warrant Share") at a price of \$1.77 per Warrant Share until the date that is 36 months from the closing date of the Agnico Eagle Offering, subject to acceleration in certain circumstances. Beginning three months from the closing date of the Agnico Eagle Offering, if the trading price of the common shares on the TSX Venture Exchange equals or exceeds \$2.65 per common share for at least 20 consecutive trading days, Canada Nickel shall have the right to accelerate, by notice to the holders of Warrants, the expiry date of the Warrants to 30 calendar days after the date of such notice (such that the holder may either exercise all or a portion of the Warrants in such 30 day period, or failing such exercise, any unexercised Warrants would expire). All securities issued under the Agnico Eagle Offering will be subject to a hold period expiring four months and one day from the closing date of the Agnico Eagle Offering.

In addition, the Company entered into an investor rights agreement with Agnico Eagle. Under the Investor Rights Agreement, Agnico Eagle is entitled to certain rights, provided Agnico Eagle maintains certain ownership thresholds in Canada Nickel, including: (a) the right to participate in future issuance of Common Shares (or any securities that are or may become convertible, exchangeable or exercisable into Common Shares) in order to maintain its pro rata ownership interest in Canada Nickel or acquire up to a 15.6% ownership interest, on a partially diluted basis, in Canada Nickel; and (b) the right (which Agnico Eagle has no present intention of exercising) to nominate one person to the Canada Nickel Board of Directors.

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**17. Subsequent events (continued)**

- (c) On January 12, 2024, the Company announced it entered into a Subscription Agreement with Samsung SDI Co., Ltd. ("Samsung SDI") to make a US\$18.5 million investment in Canada Nickel at a price of \$1.57 per Common Share. Upon closing of the private placement contemplated in the Subscription Agreement, Samsung SDI will own approximately 15.6 million shares of the common shares of Canada Nickel, representing approximately 8.7% of the Company's issued and outstanding shares on a non-diluted basis and Canada Nickel will grant to Samsung SDI the right to purchase a 10% equity interest in the Crawford Project for US\$100.5 million, exercisable upon a final construction decision.

The Subscription Agreement and the Investor Rights Agreement contain certain customary terms and conditions. Samsung SDI will have a pro rata right in any future issuance of Common Shares or any securities that are or may become convertible, exchangeable or exercisable into Common Shares to maintain its shareholding as long as it holds 7.5% or more of the issued and outstanding Common Shares of the Company.

Samsung SDI's right to purchase a 10% equity interest in the Crawford project for US\$100.5 million is exercisable upon a final construction decision. By exercising this right, Samsung SDI will have the right to 10% of the nickel-cobalt production from the Crawford project over the life of mine and the right to an additional 20% of Crawford's nickel-cobalt production for 15 years extendable by mutual agreement. The offtake rights will be based on mutually agreed terms.

The closing of the private placement and related agreements is subject to customary closing conditions including the approval of the TSX Venture Exchange and is expected to close early February, 2024