



Canada Nickel Company Inc.

Condensed Interim Consolidated Financial Statements

For the three months Ended January 31, 2024 and 2023

(Expressed in Canadian Dollars, unless otherwise noted)

Notice of No Auditor Review of Interim Financial Statements

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

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

	Note	January 31 2024	October 31 2023
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		42,692,328	14,433,936
Harmonized sales tax receivable		1,044,904	1,583,893
Prepaid expenses		698,529	772,949
Total current assets		44,435,761	16,790,778
Non-current assets			
Exploration and evaluation assets	4	173,149,008	165,440,221
Equipment and right-of-use assets	5	803,965	836,759
Total assets		218,388,734	183,067,758
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	13,14	8,833,224	4,509,095
Short-term loans	6	17,171,770	16,673,070
Flow-through share premium	8	12,090,976	-
Total current liabilities		38,095,970	21,182,165
Long-term portion of right-of-use lease liability	5	190,761	204,778
Deferred tax liabilities	16	3,925,354	4,092,387
Asset retirement obligation	7	1,563,742	1,547,867
Total liabilities		43,775,827	27,027,197
Shareholders' equity			
Share capital	8	193,452,088	169,878,160
Share-based compensation and warrant reserves	9,10,11	15,093,948	15,377,733
Deficit		(33,933,129)	(29,215,332)
Total shareholders' equity		174,612,907	156,040,561
Total liabilities and shareholders' equity		218,388,734	183,067,758

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

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 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.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

Unaudited

For the Three Months Ended January 31

	Note	2024	2023
		\$	\$
Expenses			
Salaries	13	590,022	333,919
General and administrative costs		424,371	176,888
Professional fees		380,483	206,856
Consulting and advisory		541,881	254,282
Promotion and communication		78,955	106,670
Investor relations and marketing		113,486	104,609
Incentive compensation	10,11	1,904,818	1,258,017
Travel and other		154,136	99,373
Transaction costs and interest expense	6	953,703	679,583
		5,141,855	3,220,197
Flow-through share premium	8	(257,024)	-
Net loss and comprehensive loss before tax		4,884,831	3,220,197
Income tax expense (recovery)	16	(167,033)	4,602,700
Net loss and comprehensive loss		4,717,798	7,822,897
Loss per share – basic and diluted	12	\$0.03	\$0.07
Weighted average number of shares outstanding		148,711,210	113,332,644

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

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

For the Three Months Ended January 31

	Note	2024	2023
		\$	\$
Operating activities			
Net loss		(4,717,798)	(7,822,897)
Adjustments for non-cash items:			
Share-based compensation		1,024,818	1,258,017
Flow-through share premium		(257,024)	-
Income tax expense (recovery)		(167,033)	4,602,700
Accretion on warrants and other non-cash related to short term loan facility		653,703	679,583
Expenses paid or payable in shares		-	123,462
Changes in non-cash working capital items:			
Harmonized sales tax receivable		538,989	446,839
Accounts receivable and prepaid expenses		74,420	(88,344)
Accounts payable and accrued liabilities		1,575,729	66,161
Net cash used in operating activities		(1,274,196)	(734,479)
Investing activities			
Exploration and evaluation expenditures	4	(5,590,815)	(10,994,305)
Purchase of equipment	5	(18,827)	(36,352)
Net cash used in investing activities		(5,609,642)	(11,030,657)
Financing activities			
Proceeds from share issuances, net of costs	8	34,480,186	-
Repayment of lease obligations		(25,373)	-
Proceeds from exercise of warrants and stock options	9,10	687,417	6,900
Net cash provided from financing activities		35,142,230	6,900
Cash and cash equivalents, beginning of year		14,433,936	13,009,936
Net change in cash and cash equivalents		28,258,392	(11,758,236)
Cash and cash equivalents, end of year		42,692,328	1,251,700
Supplementary disclosure			
Value of shares issued for acquisitions	4	58,892	1,232,000
Value of shares issued for settlement of accounts payable		-	123,462

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

Canada Nickel Company Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

Unaudited

	Note	Number of common shares	Share capital	Share-based compensation reserve	Warrants reserve	Deficit	Total
		#	\$	\$	\$	\$	\$
Balance, October 31, 2022		113,067,836	122,126,306	11,241,037	451,475	(14,990,455)	118,828,363
Share issuance – restricted share units exercised	11	278,261	884,098	(884,098)	-	-	-
Share issuance - acquisitions		350,000	-	-	-	-	-
Share issuance – warrants exercised		69,330	17,380	-	(10,480)	-	6,900
Fair value of share-based compensation	10,11	-	-	1,688,232	-	-	1,688,232
Fair value of warrants issued		-	-	-	70,000	-	70,000
Shares to be issued to settle accounts payable		86,337	123,462	-	-	-	123,462
Net loss for the period		-	-	-	-	(7,822,897)	(7,822,897)
Balance, January 31, 2023		113,851,764	123,151,246	12,045,171	510,995	(22,813,352)	112,894,060
Balance, October 31, 2023		141,822,144	169,878,160	14,786,796	590,937	(29,215,331)	156,040,562
Share issuance - equity offering	8	19,600,000	32,246,523	-	1,192,903	-	33,439,426
Flow through share premium reserve	8	-	(12,348,000)	-	-	-	(12,348,000)
Share issuance - stock options exercised	10	21,667	9,467	(4,050)	-	-	5,417
Share issuance – restricted share units exercised	11	1,801,878	2,755,866	(2,755,866)	-	-	-
Share issuance - acquisitions		60,936	58,892	-	-	-	58,892
Share issuance – warrants exercised	9	550,000	851,180	-	(169,180)	-	682,000
Fair value of share-based compensation	10,11	-	-	1,297,405	-	-	1,297,405
Fair value of warrants issued	6	-	-	-	155,003	-	155,003
Shares issued to settle accounts payable		90	-	-	-	-	-
Net loss for the period		-	-	-	-	(4,717,798)	(4,717,798)
Balance, January 31, 2024		163,856,715	193,452,088	13,324,285	1,769,663	(33,933,129)	174,612,907

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

Canada Nickel Company Inc.
Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
For the three months ended January 31, 2024 and 2023

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 "CNIKF".

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.

On July 21, 2020, the Company incorporated a wholly-owned subsidiary, NetZero Metals Inc. ("NetZero Metals") under the laws of the Province of Ontario. NetZero Metals is intended to develop a downstream nickel processing facility and a stainless steel facility in the Timmins region. On November 3, 2022, the Company incorporated a wholly-owned subsidiary, Central Timmins Nickel Company Inc.; also incorporated under the laws of the Province of Ontario. Central Timmins Nickel Company Inc. holds the interest in the Texmont property.

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 surplus balance of \$6,339,791 at January 31, 2024, and has incurred losses and negative cashflows from operations and has an accumulated deficit of \$33,933,129. 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.

On December 29, 2023, the Company received \$34.7 million from a flow-through share offering (note 8). These funds will be used for exploration purposes only predominantly at the Company's regional properties. At January 31, 2024 approximately \$34 million of the Company's cash and cash equivalents are restricted to spend on exploration related expenditures. On February 6, 2024, the Company entered a financing arrangement and received US\$18.5 million. The funds will be used for the 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 condensed interim consolidated financial statements were approved by the Board of Directors on March 21, 2024.

Canada Nickel Company Inc.
Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
For the three months ended January 31, 2024 and 2023

2. Significant accounting policies

Statement of compliance

The Company applies International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, and do not include all of the information required for annual consolidated financial statements. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed. These condensed interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended October 31, 2023, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Basis of presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments. In addition, these 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 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 condensed interim consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

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 January 31, 2024 is \$174,612,907.

Canada Nickel Company Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three months ended January 31, 2024 and 2023

4. Exploration and evaluation assets

	Balance October 31 2022	Additions for the three months ended January 31 2023	Balance January 31 2023	Balance October 31 2023	Additions for the three months ended January 31 2024	Balance January 31 2024
	\$		\$	\$	\$	\$
Acquisition costs:						
Cash paid/payable	4,176,224	3,750,000	7,926,224	9,061,633	44,687	9,106,320
Shares issued	36,362,130	-	36,362,130	37,915,234	58,892	37,974,126
Fair value increase	-	-	-	1,530,000	-	1,530,000
Drilling	42,032,730	2,645,130	44,677,860	48,447,085	952,873	49,399,958
Assays	5,399,137	756,577	6,155,714	8,030,194	206,886	8,237,080
Geological	5,852,526	157,760	6,010,286	6,183,670	18,772	6,202,442
Consulting	14,215,686	1,854,226	16,069,912	23,348,938	2,363,992	25,712,930
Mineralogy	6,756,350	554,084	7,310,434	7,924,412	524,826	8,449,238
Access road	2,335,346	-	2,335,346	2,335,346	-	2,335,346
Obligations to stakeholders	4,130,091	945,401	5,075,492	7,824,361	1,835,507	9,659,868
Support costs	7,364,224	1,418,738	8,782,962	12,839,348	1,702,352	14,541,700
	128,624,444	12,081,916	140,706,360	165,440,221	7,708,787⁽¹⁾	173,149,008

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

Exploration and evaluation assets include the Company's interest in the Crawford Project, including the costs related to advance the project, and its interest in regional exploration properties surrounding Crawford. The regional properties are segmented into three regional areas and include:

- **Timmins South** – Sothman, Deloro, Texmont, Midlothian, Powell, Van Hise
- **Timmins East** – Stimson, Mortimer, Moody, McCool, Galna, Mann (Northwest, Central and Southeast), Newmarket, Reaume
- **Timmins Central** – Reid, MacDiarmid, Mahaffy, Nesbitt, Kingsmill, Bradburn and Dargavel townships.

The regional properties were acquired through fiscal years 2022 and 2023. Most agreements include provisions that allow for each of the sellers to 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).

The table below shows the additional aggregate payments required to maintain the acquisition or earn-in to the properties post signing.

	Cash	Shares
	\$	#
Fiscal year 2024	510,000	225,000
Fiscal year 2025	510,000	110,000
Fiscal year 2026	860,000	145,000
	1,880,000	480,000

In addition, there are commitments to fund exploration expenditures of at least \$3.2 million in fiscal years 2024 to 2026 at the Midlothian and Mann properties to earn-in.

Canada Nickel Company Inc.
Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
For the three months ended January 31, 2024 and 2023

4. Exploration and evaluation assets (continued)

Midlothian Property

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 2024) 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.

Mann Property

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).

Texmont Property

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.

Canada Nickel Company Inc.
Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three months ended January 31, 2024 and 2023

4. Exploration and evaluation assets (continued)

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

5. Equipment and right-of-use assets

	Right-of-use assets	Equipment	Total
	\$	\$	\$
Balance, October 31, 2022	129,804	539,298	669,102
Additions	274,540	123,574	398,114
Depreciation	(113,875)	(116,582)	(230,457)
Balance, October 31, 2023	290,469	546,290	836,759
Additions	-	18,827	18,827
Depreciation	(22,944)	(28,677)	(51,621)
Balance, January 31, 2024	267,525	536,440	803,965

Depreciation for equipment and right-of-use assets is recorded in Exploration and evaluation assets on the condensed interim consolidated statements of financial position. At January 31, 2024, a lease liability of \$91,301 (October 31, 2023 - \$98,121) related to the right-of-use assets is recorded in accounts payable and accrued liabilities and \$190,761 recorded as a long-term liability (October 31, 2023 - \$204,778).

Canada Nickel Company Inc.
Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
For the three months ended January 31, 2024 and 2023

6. Short-term loans

On September 18, 2023, the Company closed a secured loan facility with Auramet International Inc. ("Auramet Inc.") for US\$12 million ("Auramet Inc. September 2023"). The loan is secured and matured on December 18, 2023. Interest expense accrued on the unpaid principal amount at a rate of 12% per annum monthly in arrears until December 18, 2023.

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%, 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 were amortized over the three-month maturity in transaction costs and interest expense in the condensed interim 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.

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 \$248,457 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. The Auramet Inc. September 2023 extension warrants issued were assigned an aggregate fair value of \$65,765 using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, expected volatility 45%, risk-free rate of return 4% and expected nine month life. The fair value of the warrants as well as the arrangement fee were amortized over the one-month maturity in transaction costs and interest expense in the condensed interim consolidated statements of loss and comprehensive loss. In addition, interest accrued 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. At January 31, 2023 the loan payable including interest and the additional arrangement fee was \$17,171,770. On February 6, 2024 the loan was repaid in full.

On October 18, 2022, the Company closed a secured loan facility with Auramet International, Inc. ("Auramet Inc.") for US\$10 million. 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 and 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.

The Company paid an arrangement fee equal to 2 percent of the loan amount and issued 325,000 common share purchase warrants ("Auramet Inc. warrants"). Each of the Auramet Inc. 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. 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, of which \$350,722 of the

Canada Nickel Company Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three months ended January 31, 2024 and 2023

6. Short-term loans (continued)

total cost of \$409,240 was expensed in the first quarter of 2023. 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. extension warrants"). Each of the Auramet Inc. extension warrants entitled 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. 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.

A summary of the transaction costs and interest expense related to each short-term loan facility for the three months ended January 31, 2024 and 2023 are as follows:

	2024	2023
	\$	\$
Arrangement fee	248,457	207,836
Warrant cost	65,765	70,000
Deferral of arrangement fee	-	(145,485)
Amortization of arrangement fee	298,584	350,722
Interest expense	574,426	435,943
Foreign exchange	(233,529)	(239,433)
Transaction costs and interest expense	953,703	679,583

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:

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

The balance at January 31, 2024 of \$1,563,742 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.

Canada Nickel Company Inc.

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For the three months ended January 31, 2024 and 2023

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

		2023		2024	
	Note	Number of Common Shares	Share Capital	Number of Common Shares	Share Capital
		#	\$	#	\$
Balance, October 31		113,067,836	122,126,306	141,822,144	169,878,160
Share issuance - acquisitions	8(b)	350,000	-	60,936	58,892
Share issuance – equity financings, net	8(a)	-	-	19,600,000	32,246,523
Flow through share premium		-	-	-	(12,348,000)
Share issuance – warrants exercised	9	69,330	17,380	550,000	851,180
Share issuance – stock options exercised	10	-	-	21,667	9,467
Share issuance – RSUs exercised	11	278,261	884,098	1,801,878	2,755,866
Shares issued to settle accounts payable		86,337	123,462	90	-
Balance, January 31		113,851,764	123,151,246	163,856,715	193,452,088

- (a) On December 29, 2023 the Company 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 "December Flow-Through Offering"). Following closing of the December Flow-Through Offering, Agnico Eagle Mines Limited ("Agnico Eagle") acquired the units from the initial purchasers.

Pursuant to the December Flow-Through 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 December Flow-Through Offering, subject to acceleration in certain circumstances. Beginning three months from the closing date of the December Flow-Through 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 December Flow-Through Offering will be subject to a hold period expiring four months and one day from the closing date of the December Flow-Through Offering.

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8. Share capital (continued)

The flow-through 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 \$12,348,000 and has an obligation to incur \$34,692,000 in eligible Canadian exploration expenditures (“CEE”) by December 31, 2024. The Warrant Shares issued were assigned an aggregate fair value of \$1,192,903 using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, expected volatility 59%, risk-free rate of return 3.9% and expected one-and-a-half-year life. The share capital value of \$32,246,523 includes the gross proceeds net of the warrant fair value and costs related to the issuance.

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.

(b) 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.

9. Warrants and compensation options

The following table reflects the continuity of warrants for three months ended January 31:

	2024	2023
	#	#
Balance, beginning of fiscal period	750,000	673,832
Issued to Auramet Inc. (note 6)	350,000	200,000
Issued to Agnico Eagle (note 7)	6,860,000	
Exercised (note 6)	(550,000)	(15,000)
Expired	(200,000)	(333,832)
Balance, January 31	7,210,000	525,000

The following table reflects the warrants outstanding as at January 31, 2024 and October 31, 2023:

Grants	Exercise Price	Outstanding as at October 31 2023	Outstanding as at January 31 2024	Expiry Date	Remaining Life (years)
	\$				
Auramet Inc. extension warrants	1.94	200,000	-	-	-
Auramet Inc. September 2023 warrants	1.24	550,000	-	-	-
Auramet Inc. September 2023 extension warrants	1.19	-	350,000	18-Sep-24	0.7
Agnico Eagle warrants	1.77	-	6,860,000	29-June-25	1.4
	1.73	750,000	7,210,000		1.4

Canada Nickel Company Inc.

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10. Stock options

The following table reflects the continuity of stock options for the three months ended January 31:

	2024	2023
	#	#
Balance, beginning of fiscal period	7,033,901	6,377,252
Stock options granted	706,000	611,400
Exercised	(21,667)	-
Forfeited	(30,000)	(21,000)
Balance, January 31	7,688,234	6,967,652

The following table reflects stock options outstanding as at January 31, 2024 and October 31, 2023:

Grant Date	Exercise Price	Outstanding as at October 31 2023	Outstanding as at January 31 2024	Vested and outstanding as at January 31 2024	Expiry Date	Remaining Life (years)
	\$	#	#			
January 13, 2020	0.25	972,501	950,834	950,834	13-Jan-25	1.0
February 18, 2020	0.25	275,000	275,000	275,000	18-Feb-25	1.1
August 12, 2020	1.87	40,000	40,000	40,000	12-Aug-25	1.6
October 27, 2020	1.62	337,500	337,500	337,500	27-Oct-25	1.8
November 1, 2020	1.62	360,000	360,000	360,000	1-Nov-25	1.8
December 8, 2020	1.88	100,000	100,000	100,000	8-Dec-25	1.8
February 22, 2021	3.63	614,000	614,000	409,330	22-Feb-26	2.1
June 16, 2021	3.57	15,000	15,000	10,000	16-June-26	2.4
November 15, 2021	2.95	50,000	50,000	33,334	15-Nov-26	0.0
December 22, 2021	3.49	90,000	90,000	59,998	22-Dec-26	2.8
January 24, 2022	3.51	100,000	100,000	66,666	24-Jan-27	2.9
February 21, 2022	3.51	70,000	70,000	23,333	21-Feb-27	3.0
March 14, 2022	3.14	870,000	870,000	290,000	14-Mar-27	3.2
April 18, 2022	2.60	100,000	100,000	33,333	18-Apr-27	3.3
May 12, 2022	2.06	70,000	70,000	23,333	12-May-27	3.3
May 16, 2022	2.03	45,000	45,000	15,000	16-May-27	3.3
July 11, 2022	1.75	20,000	20,000	6,666	11-July-27	3.4
September 14, 2022	1.59	60,000	60,000	20,000	14-Sept-27	3.6
December 23, 2022	1.78	430,900	430,900	143,634	23-Dec-27	3.9
February 13, 2023	1.78	1,890,000	1,890,000	-	13-Feb-28	4.1
June 21, 2023	1.30	170,000	140,000	-	21-Jun-28	4.4
July 10, 2023	1.25	24,000	24,000	-	10-Jul-28	4.4
September 4, 2023	1.16	180,000	180,000	-	4-Sep-28	4.6
October 10, 2023	1.16	150,000	150,000	-	10-Oct-28	4.7
January 18, 2024	1.69		706,000	-	18-Jan-29	5.0
		7,033,901	7,688,234	3,197,961		3.1
Weighted average exercise price		\$1.87	\$1.86			

Canada Nickel Company Inc.

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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 \$446,979 and \$567,605 for the three months ended January 31, 2024 and 2023, respectively to the condensed interim consolidated statements of loss and comprehensive loss and recorded \$51,834 of share-based compensation expense as an increase to exploration and evaluation asset on the condensed interim consolidated statements of financial position as at January 31, 2024 (\$209,462 as at January 31, 2023).

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 three months ended January 31, 2024 and for the year ended October 31, 2023.

	Year ended October 31, 2023	Three months ended January 31, 2024
Risk free interest rate	3.86%	3.83%
Expected life (years)	4.1	4.0
Volatility	91%	86%
Expected dividends	0.00%	0.00%
Fair value of options issued	\$1.06	\$1.08

11. Restricted share units ("RSUs")

The following table reflects the continuity of RSUs for the three months ended January 31:

	2024	2023
	#	#
Balance, beginning of fiscal period	4,399,161	3,655,102
RSUs granted	353,000	294,833
Redeemed	(1,801,878)	(278,261)
Balance, January 31	2,950,283	3,671,674

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

The following table reflects the continuity of RSUs for three months ended January 31:

Grant Date	Grant Date Price and Fair Value	Outstanding as at October 31 2023	Outstanding as at January 31 2024	Vest Date	Vested as at January 31 2024
	\$	#	#		#
March 3, 2020	0.52	910,000	-	March 3, 2023	
August 12, 2020	1.87	20,000	-	August 12, 2022	
October 27, 2020	1.62	112,500	-	October 27, 2022	
November 1, 2020	1.62	115,000	-	November 1, 2022	
February 22, 2021	3.63	394,445	-	February 22, 2023	
July 1, 2021	3.54	50,000	50,000	July 1, 2022	50,000
March 14, 2022	3.14	749,834	749,834	March 14, 2023	749,834
February 13, 2023	1.78	1,563,449	1,563,449	February 13, 2024	-
June 21, 2023	1.30	47,000	47,000	June 21, 2024	-
July 10, 2023	1.25	22,000	22,000	July 10, 2024	-
September 4, 2023	1.16	90,000	90,000	September 4, 2024	-
October 10, 2023	1.16	75,000	75,000	October 10, 2024	-
January 18, 2024	1.69		353,000	January 18, 2025	
	2.10	4,399,161	2,950,283		799,834

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 \$577,839 and \$690,412 for the three months ended January 31, 2024 and 2023, respectively to the interim condensed consolidated statements of loss and comprehensive loss and recorded \$220,753 of share-based compensation expense as an increase to exploration and evaluation asset on the interim condensed consolidated statements of financial position (\$220,753 as at January 31, 2023).

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12. Loss per share

	For the three months ended January 31	
	2024	2023
Net loss	\$4,717,798	\$7,822,897
Weighted average number of common shares outstanding		
- basic	148,711,210	113,332,644
Effect of dilutive securities	-	-
Weighted average number of common shares outstanding		
- dilutive	148,711,210	113,332,644
Loss per share – basic and diluted	\$0.03	\$0.07

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

13. Related party transactions and balances

Related parties and related party transactions impacting the condensed interim 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. Key management personnel include the Board of Directors and senior officers of the Company.

A summary of the related party transactions are as follows:

	For the three months ended January 31	
	2024	2023
	\$	\$
Salaries and directors' fees	608,013	235,461
Incentive compensation	1,822,917	1,067,099

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. The three months ended January 31, 2024 includes cash-based incentive compensation paid to senior officers of the Company related to 2023 performance. No amounts were receivable to or payable from related parties at January 31, 2024 and October 31, 2023.

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14. Commitments and contingencies

At January 31, 2024, the Company has \$5.5 million (October 31, 2023 - \$3.7 million) in payables owing with respect to exploration and evaluation assets and has lease obligations of \$91,300 related to 2024 and \$190,760 for fiscal years 2025 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 January 31, 2024, 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 January 31, 2024, 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 following table reflects the continuity of the deferred tax liability as at January 31, 2024 and 2023

	2024	2023
	\$	\$
Balance, beginning of fiscal period	4,092,387	1,262,453
Tax effect on renunciation of flow-through expenditures	1,325,036	5,163,000
Tax effect on operating losses and other timing differences	(1,492,069)	(560,300)
Balance, January 31	3,925,354	5,865,153

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17. Subsequent events

- (a) On February 6, 2024, the Company completed the equity investment it entered related to the Subscription Agreement with Samsung SDI Co., Ltd. ("Samsung SDI") in the amount of US\$18.5 million investment in Canada Nickel at a price of \$1.57 per Common Share. On 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 granted 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.

- (b) Effective March 11, 2024, the Company granted to certain officers, directors and/or employees of the Corporation (i) an aggregate of 3,830,000 options to acquire common shares of the Corporation and (ii) an aggregate of 2,000,130 RSUs of the Corporation. The Options have an exercise price of \$1.47 per common share, a five-year term from the date of grant and vest annually in equal thirds beginning on the first anniversary of the date of grant. The RSUs vest annually in equal thirds beginning on the first anniversary of the date of grant.