



## Canada Nickel Company Inc.

Condensed Interim Consolidated Financial Statements

For the six months Ended April 30, 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    | April 30<br>2024   | October 31<br>2023 |
|---|---------|--------------------|--------------------|
|   |         | \$                 | \$                 |
| <b>ASSETS</b>                                     |         |                    |                    |
| <b>Current assets</b>                             |         |                    |                    |
| Cash and cash equivalents                         |         | 35,555,454         | 14,433,936         |
| Harmonized sales tax receivable                   |         | 1,591,675          | 1,583,893          |
| Prepaid expenses                                  |         | 960,781            | 772,949            |
| <b>Total current assets</b>                       |         | <b>38,107,910</b>  | <b>16,790,778</b>  |
| <b>Non-current assets</b>                         |         |                    |                    |
| Exploration and evaluation assets                 | 4       | 196,336,883        | 165,440,221        |
| Equipment and right-of-use assets                 | 5       | 843,154            | 836,759            |
| <b>Total assets</b>                               |         | <b>235,287,947</b> | <b>183,067,758</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |         |                    |                    |
| <b>Current liabilities</b>                        |         |                    |                    |
| Accounts payable and accrued liabilities          | 13,14   | 18,944,021         | 4,509,095          |
| Short-term loans                                  | 6       | -                  | 16,673,070         |
| Flow-through share premium                        | 8       | 10,225,709         | -                  |
| <b>Total current liabilities</b>                  |         | <b>29,169,730</b>  | <b>21,182,165</b>  |
| Long-term portion of right-of-use lease liability | 5       | 176,407            | 204,778            |
| Deferred tax liabilities                          | 16      | 3,332,497          | 4,092,387          |
| Asset retirement obligation                       | 7       | 1,579,444          | 1,547,867          |
| <b>Total liabilities</b>                          |         | <b>34,258,078</b>  | <b>27,027,197</b>  |
| <b>Shareholders' equity</b>                       |         |                    |                    |
| Share capital                                     | 8       | 219,797,240        | 169,878,160        |
| Share-based compensation and warrant reserves     | 9,10,11 | 15,410,484         | 15,377,733         |
| Deficit   |         | (34,177,855)       | (29,215,332)       |
| <b>Total shareholders' equity</b>                 |         | <b>201,029,869</b> | <b>156,040,561</b> |
| <b>Total liabilities and shareholders' equity</b> |         | <b>235,287,947</b> | <b>183,067,758</b> |

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

Nature of operations and going concern (Note 1)  
Commitments and contingencies (Note 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 and Six Months Ended April 30

|   | Note  | For the three months<br>ended April 30 |                    | For the six months<br>ended April 30 |                    |
|---|-------|--|--------------------|--------------------------------------|--------------------|
|   |       | 2024                                   | 2023               | 2024                                 | 2023               |
|   |       | \$                                     | \$                 | \$                                   | \$                 |
| <b>Expenses</b>                               |       |  |                    |                                      |                    |
| Salaries                                      | 13    | 524,312                                | 386,056            | 1,114,334                            | 719,975            |
| Consulting and advisory                       |       | 494,389                                | 356,194            | 1,036,270                            | 610,476            |
| Professional fees                             |       | 279,667                                | 479,491            | 660,150                              | 686,347            |
| General and administrative costs              |       | 437,950                                | 457,671            | 836,849                              | 634,559            |
| Promotion and communication                   |       | 74,260                                 | 62,656             | 153,215                              | 169,326            |
| Investor relations and marketing              |       | 145,130                                | 120,487            | 258,616                              | 225,096            |
| Incentive compensation                        | 10,11 | 1,058,190                              | 1,347,586          | 2,963,008                            | 2,605,603          |
| Travel and other                              |       | 325,960                                | 149,311            | 590,818                              | 248,684            |
| Foreign exchange gain and interest income     |       | (733,838)                              | (294,193)          | (819,088)                            | (294,193)          |
| Transaction costs and interest expense        | 6     | 96,829                                 | 612,308            | 1,050,532                            | 1,291,891          |
|   |       | <b>2,702,849</b>                       | <b>3,677,567</b>   | <b>7,844,704</b>                     | <b>6,897,764</b>   |
| <b>Flow-through share premium</b>             | 8     | <b>(1,865,267)</b>                     | <b>(1,104,545)</b> | <b>(2,122,291)</b>                   | <b>(1,104,545)</b> |
| Net loss and comprehensive loss before tax    |       | <b>837,582</b>                         | 2,573,022          | <b>5,722,413</b>                     | 5,793,219          |
| Income tax expense (recovery)                 | 16    | <b>(592,857)</b>                       | (632,970)          | <b>(759,890)</b>                     | 3,969,730          |
| <b>Net loss and comprehensive loss</b>        |       | <b>244,725</b>                         | 1,940,052          | <b>4,962,523</b>                     | 9,762,949          |
| Loss per share – basic and diluted            | 12    | <b>\$0.00</b>                          | \$0.01             | <b>\$0.03</b>                        | \$0.08             |
| Weighted average number of shares outstanding |       | <b>172,163,324</b>                     | 130,017,641        | <b>160,308,409</b>                   | 121,536,869        |

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 Six Months Ended April 30**

|   | Note | 2024                | 2023                |
|---|------|---------------------|---------------------|
|   |      | \$                  | \$                  |
| <b>Operating activities</b>   |      |                     |                     |
| Net loss  |      | (4,962,523)         | (9,762,949)         |
| Add – transaction costs included in financing activities                        |      | 895,529             | 1,221,891           |
| Adjustments for non-cash items:   |      |                     |                     |
| Share-based compensation  |      | 1,858,424           | 2,605,603           |
| Flow-through share premium  |      | (2,122,291)         | (1,104,545)         |
| Income tax expense (recovery)   |      | (759,890)           | 3,969,730           |
| Accretion on warrants related to short term loan facility                       |      | 155,003             | 70,000              |
| Expenses paid or payable in shares  |      | 48,726              | 123,462             |
| Changes in non-cash working capital items:                                      |      |                     |                     |
| Harmonized sales tax receivable   |      | (7,782)             | 523,484             |
| Accounts receivable and prepaid expenses  |      | (187,832)           | (506,352)           |
| Accounts payable and accrued liabilities  |      | 646,077             | 402,988             |
| <b>Net cash used in operating activities</b>                                    |      | <b>(4,436,559)</b>  | <b>(2,456,688)</b>  |
| <b>Investing activities</b>   |      |                     |                     |
| Exploration and evaluation expenditures   | 4    | (17,147,628)        | (25,790,284)        |
| Purchase of equipment   | 5    | (109,176)           | (66,354)            |
| <b>Net cash used in investing activities</b>                                    |      | <b>(17,256,804)</b> | <b>(25,856,638)</b> |
| <b>Financing activities</b>   |      |                     |                     |
| Proceeds from share issuances, net of costs                                     | 8    | 59,436,607          | 44,567,152          |
| Repayment of lease obligations  |      | (42,033)            |                     |
| Repayment of short-term loan facility and related interest and arrangement fees |      | (17,335,860)        | (14,513,872)        |
| Proceeds from exercise of warrants and stock options                            | 9,10 | 756,167             | 22,734              |
| <b>Net cash provided from financing activities</b>                              |      | <b>42,814,881</b>   | <b>30,076,014</b>   |
| <b>Cash and cash equivalents, beginning of year</b>                             |      | <b>14,433,936</b>   | <b>13,009,936</b>   |
| Net change in cash and cash equivalents   |      | 21,121,518          | 1,762,688           |
| <b>Cash and cash equivalents, end of year</b>                                   |      | <b>35,555,454</b>   | <b>14,772,624</b>   |
| <b>Supplementary disclosure</b>   |      |                     |                     |
| Value of shares issued for acquisitions   | 4    | 1,358,242           | 1,294,844           |
| 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<br>common<br>shares | Share capital      | Share-based<br>compensation<br>reserve | Warrants<br>reserve | Deficit             | Total              |
|---|-------|-------------------------------|--------------------|--|---------------------|---------------------|--------------------|
|   |       | #                             | \$                 | \$                                     | \$                  | \$                  | \$                 |
| <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                    | 44,567,152         | -                                      | -                   | -                   | 44,567,152         |
| Flow through share premium reserve                | 8     | -                             | (2,404,511)        | -                                      | -                   | -                   | (2,404,511)        |
| Share issuance - stock options exercised          | 10    | 63,334                        | 27,671             | (11,837)                               | -                   | -                   | 15,834             |
| Share issuance – restricted share units exercised | 11    | 467,022                       | 1,202,149          | (1,202,149)                            | -                   | -                   | -                  |
| Share issuance - acquisitions                     |       | 390,314                       | 62,884             | -                                      | -                   | -                   | 62,884             |
| Share issuance – warrants exercised               |       | 69,330                        | 17,380             | -                                      | (10,480)            | -                   | 6,900              |
| Fair value of share-based compensation            | 10,11 | -                             | -                  | 3,617,558                              | -                   | -                   | 3,617,558          |
| Fair value of warrants issued                     | 6     | -                             | -                  | -                                      | 70,000              | -                   | 70,000             |
| Shares to be issued to settle accounts payable    |       | 86,337                        | 123,462            | -                                      | -                   | -                   | 123,462            |
| Net loss for the period                           |       | -                             | -                  | -                                      | -                   | (9,762,949)         | (9,762,949)        |
| <b>Balance, April 30, 2023</b>                    |       | <b>137,938,770</b>            | <b>166,081,493</b> | <b>13,644,609</b>                      | <b>510,995</b>      | <b>(24,753,404)</b> | <b>155,483,693</b> |
| <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> |
| Share issuance - equity offering                  | 8     | 35,193,802                    | 56,287,634         | -                                      | 1,192,903           | -                   | 57,480,537         |
| Flow through share premium reserve                | 8     | -                             | (12,348,000)       | -                                      | -                   | -                   | (12,348,000)       |
| Share issuance - stock options exercised          | 10    | 296,667                       | 129,504            | (55,337)                               | -                   | -                   | 74,167             |
| Share issuance – restricted share units exercised | 11    | 2,187,814                     | 3,591,794          | (3,591,794)                            | -                   | -                   | -                  |
| Share issuance - acquisitions                     |       | 1,158,936                     | 1,358,242          | -                                      | -                   | -                   | 1,358,242          |
| Share issuance – warrants exercised               | 9     | 550,000                       | 851,180            | -                                      | (169,180)           | -                   | 682,000            |
| Fair value of share-based compensation            | 10,11 | -                             | -                  | 2,501,156                              | -                   | -                   | 2,501,156          |
| Fair value of warrants issued                     | 6     | -                             | -                  | -                                      | 155,003             | -                   | 155,003            |
| Shares issued to settle accounts payable          |       | 90                            | -                  | -                                      | -                   | -                   | -                  |
| Shares to be issued to settle accounts payable    |       | -                             | 48,726             | -                                      | -                   | -                   | 48,726             |
| Net loss for the period                           |       | -                             | -                  | -                                      | -                   | (4,962,523)         | (4,962,523)        |
| <b>Balance, April 30, 2024</b>                    |       | <b>181,209,453</b>            | <b>219,797,240</b> | <b>13,640,821</b>                      | <b>1,769,663</b>    | <b>(34,177,855)</b> | <b>201,029,869</b> |

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

# Canada Nickel Company Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the six months ended April 30, 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 \$8,938,180 at April 30, 2024, and has incurred losses and negative cashflows from operations and has an accumulated deficit of \$34,177,855. 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. 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. At April 30, 2024 approximately \$29 million of the Company's cash and cash equivalents are restricted to spend on exploration related expenditures. On June 24, the Company announced it would receive a US\$15 million six-month loan facility to bridge the gap while the Company pursues other sources of funding for the continued advancement of Crawford permitting, engineering and financing activities (see note 17). 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 June 24, 2024.

**Canada Nickel Company Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
(Expressed in Canadian Dollars)  
For the six months ended April 30, 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.

Certain comparative amounts have been reclassified to conform with the current year presentation.

**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 April 30, 2024 is \$201,029,869.

# Canada Nickel Company Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the six months ended April 30, 2024 and 2023

### 4. Exploration and evaluation assets

|                                | Balance<br>October 31<br>2022 | Additions<br>For the Six<br>Months<br>Ended April<br>30 2023 | Balance<br>April 30<br>2023 | Balance<br>October 31<br>2023 | Additions<br>For the Six<br>Months<br>Ended April<br>30 2024 | Balance<br>April 30 2024 |
|--------------------------------|-------------------------------|--|-----------------------------|-------------------------------|--|--------------------------|
|                                | \$                            |  | \$                          | \$                            | \$   | \$                       |
| Acquisition costs:             |                               |  |                             |                               |  |                          |
| Cash paid/payable              | 4,016,000                     | 4,188,258  | 8,204,258                   | 9,061,633                     | 424,581  | 9,486,214                |
| Loan forgiven                  | 160,224                       | -  | 160,224                     | -                             | -  | -                        |
| Shares issued                  | 36,362,130                    | 62,884   | 36,425,014                  | 37,915,234                    | 1,358,242  | 39,273,476               |
| Fair value increase            | -                             | 1,130,000  | 1,130,000                   | 1,530,000                     | 49,443   | 1,579,443                |
| Drilling                       | 42,032,730                    | 4,789,792  | 46,822,522                  | 48,447,085                    | 5,812,084  | 54,259,169               |
| Assays                         | 5,399,137                     | 1,695,654  | 7,094,791                   | 8,030,194                     | 448,430  | 8,478,624                |
| Geological                     | 5,852,526                     | 238,606  | 6,091,132                   | 6,183,670                     | 122,708  | 6,306,378                |
| Consulting                     | 14,215,686                    | 4,741,144  | 18,956,830                  | 23,348,938                    | 12,117,957   | 35,466,895               |
| Mineralogy                     | 6,756,350                     | 638,427  | 7,394,777                   | 7,924,412                     | 640,055  | 8,564,467                |
| Access road                    | 2,335,346                     | -  | 2,335,346                   | 2,335,346                     | 770,123  | 3,105,469                |
| Obligations to<br>stakeholders | 4,130,091                     | 1,318,017  | 5,448,108                   | 7,824,361                     | 5,762,431  | 13,586,792               |
| Support costs                  | 7,364,224                     | 2,721,074  | 10,085,298                  | 12,839,348                    | 3,390,608  | 16,229,956               |
|                                | <b>128,624,444</b>            | <b>21,523,856</b>  | <b>150,148,300</b>          | <b>165,440,221</b>            | <b>30,896,662 <sup>(1)</sup></b>                             | <b>196,336,883</b>       |

(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         |
|------------------|------------------|----------------|
|                  | \$               | #              |
| July 2024        | 100,000          | -              |
| Fiscal year 2025 | 360,000          | 110,000        |
| Fiscal year 2026 | 860,000          | 145,000        |
|                  | <b>1,320,000</b> | <b>255,000</b> |

In addition, there are commitments to fund exploration expenditures of at least \$2 million in fiscal years 2024 to 2026 at the Midlothian property to earn-in.



# Canada Nickel Company Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the six months ended April 30, 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 by February 2023, which has been spent. On or before the fourth anniversary of the agreement (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, in 2023 the Company made a \$100,000 cash payment and issued 35,000 common shares and in February 2024 made a \$200,000 cash payment and issued 70,000 common shares. A further \$300,000 and 105,000 common shares is due November 2024 and \$400,000 and 140,000 common shares due 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, a payment in July 2023 of \$100,000 and a further payment to Noble of \$350,000 was made in April 2024. A further \$100,000 is due 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, which also has been completed. 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).

On April 22, 2024, the Company announced it exercised its option to acquire an 80% interest in the Mann Property.

#### 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 six months ended April 30, 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<br>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                      | -                      | 109,176        | 109,176        |
| Depreciation                   | (45,888)               | (56,893)       | (102,781)      |
| <b>Balance, April 30, 2024</b> | <b>244,581</b>         | <b>598,573</b> | <b>843,154</b> |

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 April 30, 2024, a lease liability of \$84,458 (October 31, 2023 - \$98,121) related to the right-of-use assets is recorded in accounts payable and accrued liabilities and \$176,407 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 six months ended April 30, 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. The loan payable including interest and the additional arrangement fee was paid on February 6, 2024 in full in the amount of \$17,335,860.

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 six months ended April 30, 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 and six months ended April 30, 2024 and 2023 are as follows:

|  | For the three months<br>ended April 30 |         | For the six months<br>ended April 30 |           |
|--|--|---------|--------------------------------------|-----------|
|  | 2024                                   | 2023    | 2024                                 | 2023      |
|  | \$                                     | \$      | \$                                   | \$        |
| Arrangement fee                        | -                                      | 145,898 | 248,457                              | 558,971   |
| Warrant cost                           | -                                      | -       | 65,765                               | 70,000    |
| Amortization of arrangement fee        | -                                      | -       | 298,584                              | -         |
| Interest expense                       | 43,310                                 | 185,170 | 617,736                              | 621,113   |
| Foreign exchange                       | 53,519                                 | 281,240 | (180,010)                            | 41,807    |
| Transaction costs and interest expense | 96,829                                 | 612,308 | 1,050,532                            | 1,291,891 |

### 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 April 30, 2024 of \$1,579,444 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.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the six months ended April 30, 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<br>Common<br>Shares | Share<br>Capital   | Number of<br>Common<br>Shares | Share<br>Capital   |
|  |      | #                             | \$                 | #                             | \$                 |
| <b>Balance, October 31</b>                     |      | 113,067,836                   | 122,126,306        | 141,822,144                   | 169,878,160        |
| Share issuance - acquisitions                  | 8(d) | 350,000                       | -                  | 60,936                        | 58,892             |
| Share issuance – equity financings, net        | 8(a) | -                             | -                  | 19,600,000                    | 32,246,523         |
| Flow through share premium                     | 8(a) | -                             | -                  | -                             | (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                            | -                  |
| <b>Balance, January 31</b>                     |      | 113,851,764                   | 123,151,246        | <b>163,856,715</b>            | <b>193,452,088</b> |
| Share issuance - acquisitions                  | 8(d) | 40,314                        | 62,884             | 1,098,000                     | 1,299,350          |
| Share issuance – equity financings, net        | 8(c) | 23,794,597                    | 44,567,152         | -                             | -                  |
| Share issuance – equity financings, net        | 8(a) | -                             | -                  | -                             | 495,427            |
| Share issuance – equity financings, net        | 8(b) | -                             | -                  | 15,593,802                    | 23,545,684         |
| Flow through share premium                     | 8(c) | -                             | (2,045,511)        | -                             | -                  |
| Share issuance – stock options exercised       | 10   | 63,334                        | 27,671             | 275,000                       | 120,037            |
| Share issuance – RSUs exercised                | 11   | 188,761                       | 318,051            | 385,936                       | 835,928            |
| Shares to be issued to settle accounts payable |      | -                             | -                  | -                             | 48,726             |
| <b>Balance, April 30</b>                       |      | <b>137,938,770</b>            | <b>166,081,493</b> | <b>181,209,453</b>            | <b>219,797,240</b> |

- (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).

# Canada Nickel Company Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the six months ended April 30, 2024 and 2023

### 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 \$32,741,950 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) 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 share capital value of \$23,545,684 includes the gross proceeds net of costs related to the issuance.

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.

# Canada Nickel Company Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the six months ended April 30, 2024 and 2023

### 8. Share capital (continued)

- (c) 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 \$24.4 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 will own 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.

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.

# Canada Nickel Company Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the six months ended April 30, 2024 and 2023

### 8. Share capital (continued)

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 would acquire 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 \$1.8 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.

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.

- (d) 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.

In the second quarter of 2024, Canada Nickel acquired mining claims in Timmins, Ontario, through seven purchase and sale agreements with external vendors. In exchange, the company issued 723,000 common shares and paid \$67,760 in cash. One agreement involves granting a 2.0% net smelter returns royalty to the vendor, with an option for the company to repurchase a portion of the royalty before commercial production begins. Four other agreements entail granting 2.0% net returns royalties to the vendors, with the company having the option to repurchase a portion of each royalty at any time for \$1,000,000 per royalty.

Additionally, Canada Nickel issued 300,000 common shares as per commitments under exploration agreements and a further 75,000 shares as per commitments under option agreements.



# Canada Nickel Company Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the six months ended April 30, 2024 and 2023

### 9. Warrants and compensation options

The following table reflects the continuity of warrants for three months ended April 30:

|   | 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 8)         | 6,860,000        |                |
| Exercised (note 6)                      | (550,000)        | (15,000)       |
| Expired                                 | (200,000)        | (333,832)      |
| <b>Balance, January 31 and April 30</b> | <b>7,210,000</b> | <b>525,000</b> |

The following table reflects the warrants outstanding as at April 30, 2024 and October 31, 2023:

| Grants   | Exercise Price | Outstanding as at October 31 2023 | Outstanding as at April 30 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   | 0.4                    |
| Agnico Eagle warrants                          | 1.77           | -                                 | 6,860,000                       | 29-June-25  | 1.2                    |
|  | 1.73           | 750,000                           | 7,210,000                       |             | 1.2                    |

### 10. Stock options

The following table reflects the continuity of stock options for the three and six months ended April 30:

|                                     | 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)         |
| <b>Balance, January 31</b>          | <b>7,688,234</b>  | <b>6,967,652</b> |
| Stock options granted               | 3,900,000         | 1,785,000        |
| Exercised                           | (275,000)         | (63,334)         |
| Forfeited                           | (340,000)         | (69,666)         |
| <b>Balance, April 30</b>            | <b>10,973,234</b> | <b>8,619,652</b> |

# Canada Nickel Company Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the six months ended April 30, 2024 and 2023

### 10. Stock options (continued)

The following table reflects stock options outstanding as at April 30, 2024 and October 31, 2023:

| Grant Date                      | Exercise Price | Outstanding as at October 31 2023 | Outstanding as at April 30 2024 | Vested and outstanding as at April 30 2024 | Expiry Date | Remaining Life (years) |
|---------------------------------|----------------|-----------------------------------|---------------------------------|--|-------------|------------------------|
|                                 | \$             | #                                 | #                               |  |             |                        |
| January 13, 2020                | 0.25           | 972,501                           | 950,834                         | 950,834                                    | 13-Jan-25   | 0.8                    |
| February 18, 2020               | 0.25           | 275,000                           | -                               | -  | 18-Feb-25   | 0.8                    |
| August 12, 2020                 | 1.87           | 40,000                            | 40,000                          | 40,000                                     | 12-Aug-25   | 1.3                    |
| October 27, 2020                | 1.62           | 337,500                           | 337,500                         | 337,500                                    | 27-Oct-25   | 1.5                    |
| November 1, 2020                | 1.62           | 360,000                           | 360,000                         | 360,000                                    | 1-Nov-25    | 1.5                    |
| December 8, 2020                | 1.88           | 100,000                           | 100,000                         | 100,000                                    | 8-Dec-25    | 1.6                    |
| February 22, 2021               | 3.63           | 614,000                           | 544,000                         | 400,666                                    | 22-Feb-26   | 1.8                    |
| June 16, 2021                   | 3.57           | 15,000                            | 15,000                          | 15,000                                     | 16-June-26  | 2.2                    |
| November 15, 2021               | 2.95           | 50,000                            | 50,000                          | 33,334                                     | 15-Nov-26   | 2.5                    |
| December 22, 2021               | 3.49           | 90,000                            | 90,000                          | 59,998                                     | 22-Dec-26   | 2.7                    |
| January 24, 2022                | 3.51           | 100,000                           | 100,000                         | 66,666                                     | 24-Jan-27   | 2.8                    |
| February 21, 2022               | 3.51           | 70,000                            | 70,000                          | 46,666                                     | 21-Feb-27   | 2.8                    |
| March 14, 2022                  | 3.14           | 870,000                           | 790,000                         | 526,663                                    | 14-Mar-27   | 2.9                    |
| April 18, 2022                  | 2.60           | 100,000                           | 100,000                         | 66,666                                     | 18-Apr-27   | 3.0                    |
| May 12, 2022                    | 2.06           | 70,000                            | 70,000                          | 23,333                                     | 12-May-27   | 3.0                    |
| May 16, 2022                    | 2.03           | 45,000                            | 45,000                          | 15,000                                     | 16-May-27   | 3.0                    |
| July 11, 2022                   | 1.75           | 20,000                            | 20,000                          | 6,666                                      | 11-July-27  | 3.2                    |
| September 14, 2022              | 1.59           | 60,000                            | 60,000                          | 20,000                                     | 14-Sept-27  | 3.4                    |
| December 23, 2022               | 1.78           | 430,900                           | 430,900                         | 143,634                                    | 23-Dec-27   | 3.7                    |
| February 13, 2023               | 1.78           | 1,890,000                         | 1,700,000                       | 566,668                                    | 13-Feb-28   | 3.9                    |
| June 21, 2023                   | 1.30           | 170,000                           | 140,000                         | -  | 21-Jun-28   | 4.2                    |
| July 10, 2023                   | 1.25           | 24,000                            | 24,000                          | -  | 10-Jul-28   | 4.2                    |
| September 4, 2023               | 1.16           | 180,000                           | 180,000                         | -  | 4-Sep-28    | 4.2                    |
| October 10, 2023                | 1.16           | 150,000                           | 150,000                         | -  | 10-Oct-28   | 4.4                    |
| January 18, 2024                | 1.69           |                                   | 706,000                         | -  | 18-Jan-29   | 4.8                    |
| March 11, 2024                  | 1.47           |                                   | 3,900,000                       | -  | 11-Mar-29   | 4.9                    |
|                                 |                | <b>7,033,901</b>                  | <b>10,973,234</b>               | <b>3,779,294</b>                           |             | <b>3.6</b>             |
| Weighted average exercise price |                | <b>\$1.87</b>                     | <b>\$1.74</b>                   |  |             |                        |

# Canada Nickel Company Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the six months ended April 30, 2024 and 2023

### 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 \$549,382 and \$996,812 for the three and six months ended April 30, 2024, respectively (\$603,519 and \$1,171,124 for the three and six months ended April 30, 2023, respectively), to the condensed interim consolidated statements of loss and comprehensive loss and recorded \$197,358 and \$249,191 for the three and six months ended April 30, 2024 of share-based compensation expense as an increase to exploration and evaluation asset on the condensed interim consolidated statements of financial position (\$237,349 and \$446,811 as at April 30, 2023 respectively).

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 first and second quarters of 2024 and for the year ended October 31, 2023.

|                              | Year ended<br>October 31,<br>2023 | Three months<br>ended Jan 31,<br>2024 | Three months<br>ended April,<br>2024 |
|------------------------------|-----------------------------------|---------------------------------------|--------------------------------------|
| Risk free interest rate      | 3.86%                             | 3.83%                                 | 3.81%                                |
| Expected life (years)        | 4.1                               | 4.0                                   | 4.0                                  |
| Volatility                   | 91%                               | 86%                                   | 85%                                  |
| Expected dividends           | 0.00%                             | 0.00%                                 | 0.00%                                |
| Fair value of options issued | \$1.06                            | \$1.08                                | \$0.93                               |

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

The following table reflects the continuity of RSUs for the three and six months ended April 30:

|                                     | 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)        |
| <b>Balance, January 31</b>          | <b>2,950,283</b> | <b>3,671,674</b> |
| RSUs granted                        | 2,035,130        | 1,560,949        |
| Redeemed                            | (385,936)        | (188,761)        |
| <b>Balance, April 30</b>            | <b>4,599,477</b> | <b>5,043,862</b> |

**Canada Nickel Company Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
(Expressed in Canadian Dollars)  
For the six months ended April 30, 2024 and 2023

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

The following table reflects the continuity of RSUs for three months ended April 30:

| <b>Grant Date</b> | <b>Grant Date Price and Fair Value</b> | <b>Outstanding as at October 31 2023</b> | <b>Outstanding as at April 30 2024</b> | <b>Vested as at April 30 2024</b> |
|-------------------|--|--|--|-----------------------------------|
|                   | <b>\$</b>                              | <b>#</b>                                 | <b>#</b>                               | <b>#</b>                          |
| March 3, 2020     | 0.52                                   | 910,000                                  | -                                      | -                                 |
| August 12, 2020   | 1.87                                   | 20,000                                   | -                                      | -                                 |
| October 27, 2020  | 1.62                                   | 112,500                                  | -                                      | -                                 |
| November 1, 2020  | 1.62                                   | 115,000                                  | -                                      | -                                 |
| February 22, 2021 | 3.63                                   | 394,445                                  | -                                      | -                                 |
| July 1, 2021      | 3.54                                   | 50,000                                   | <b>50,000</b>                          | <b>50,000</b>                     |
| March 14, 2022    | 3.14                                   | 749,834                                  | <b>640,303</b>                         | <b>75,002</b>                     |
| February 13, 2023 | 1.78                                   | 1,563,449                                | <b>1,287,044</b>                       | <b>251,004</b>                    |
| June 21, 2023     | 1.30                                   | 47,000                                   | <b>47,000</b>                          | -                                 |
| July 10, 2023     | 1.25                                   | 22,000                                   | <b>22,000</b>                          | -                                 |
| September 4, 2023 | 1.16                                   | 90,000                                   | <b>90,000</b>                          | -                                 |
| October 10, 2023  | 1.16                                   | 75,000                                   | <b>75,000</b>                          | -                                 |
| January 18, 2024  | 1.69                                   |  | <b>353,000</b>                         |                                   |
| March 11, 2024    | 1.47                                   |  | <b>2,035,130</b>                       |                                   |
|                   | <b>1.81</b>                            | <b>4,399,161</b>                         | <b>4,599,477</b>                       | <b>376,006</b>                    |

RSUs granted prior to March 11, 2024 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. The RSUs granted on March 11, 2024 vest equally over a three-year period.

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 \$283,773 and \$861,612 for the three and six months ended April 30, 2024, respectively (\$744,067 and \$1,434,479 for the three and six months ended April 30, 2023, respectively) to the condensed interim consolidated statements of loss and comprehensive loss and recorded \$172,789 and \$393,541 for the three and six months ended April 30, 2024 of share-based compensation expense as an increase to exploration and evaluation asset on the condensed interim consolidated statements of financial position (\$344,391 and \$565,144 as at April 30, 2023 respectively).

# Canada Nickel Company Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the six months ended April 30, 2024 and 2023

### 12. Loss per share

|   | For the Three months<br>ended April 30 |             | For the six months<br>ended April 30 |             |
|---|--|-------------|--------------------------------------|-------------|
|   | 2024                                   | 2023        | 2024                                 | 2023        |
| Net loss  | <b>\$244,725</b>                       | \$1,940,052 | <b>\$4,962,523</b>                   | \$9,762,949 |
| Weighted average number of<br>common shares outstanding -<br>basic    | <b>172,163,324</b>                     | 130,017,461 | <b>160,308,409</b>                   | 121,536,869 |
| Effect of dilutive securities   |  |             | -                                    | -           |
| Weighted average number of<br>common shares outstanding -<br>dilutive | <b>172,163,324</b>                     | 130,017,461 | <b>160,308,409</b>                   | 121,536,869 |
| <b>Loss per share – basic and<br/>diluted</b>                         | <b>\$0.00</b>                          | \$0.01      | <b>\$0.03</b>                        | \$0.08      |

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<br>ended April 30 |           | For the six months<br>ended April 30 |           |
|------------------------------|--|-----------|--------------------------------------|-----------|
|                              | 2024                                   | 2023      | 2024                                 | 2023      |
| Salaries and directors' fees | <b>585,970</b>                         | 350,168   | <b>\$1,171,938</b>                   | \$585,629 |
| Incentive compensation       | <b>1,000,911</b>                       | 1,288,528 | <b>2,564,454</b>                     | 2,355,627 |
| Geological services          | -                                      | 123,638   | -                                    | 123,638   |

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 six months ended April 30, 2024 includes cash-based incentive compensation paid to senior officers of the Company related to 2023 performance (recorded in the first quarter of 2024). No amounts were receivable to or payable from related parties at April 30, 2024 and October 31, 2023.

# Canada Nickel Company Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)  
For the six months ended April 30, 2024 and 2023

### 14. Commitments and contingencies

At April 30, 2024, the Company has \$14 million (October 31, 2023 - \$3.7 million) in payables owing with respect to exploration and evaluation assets and has lease obligations of \$84,458 related to 2024 and \$176,407 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 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 April 30, 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

# Canada Nickel Company Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the six months ended April 30, 2024 and 2023

### 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 April 30, 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 April 30, 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 | (2,084,926)      | (560,300)        |
| <b>Balance, April 30</b>                                    | <b>3,332,497</b> | <b>5,865,153</b> |

### 17. Subsequent events

On June 24, 2024 the Company announced that it arranged a US\$15 million six-month loan facility with Auramet Inc., which is expected to close on or before July 9, 2024.

The loan will carry an interest rate of 1.00% per month, and be subject to a 2.5% arrangement fee. At closing, Auramet will also receive 750,000 1 year warrants with a strike price of \$1.42 per share. The loan will be subject to such terms and conditions including certain specified positive and negative covenants that are customary for a transaction of this nature. The warrants and the underlying shares will be subject to a four month hold period under applicable Canadian securities laws. The proceeds will be used for working capital purposes. The closing of the loan facility is subject to customary conditions including the approval of the TSX Venture Exchange.