CaNickel Mining Limited

www.canickel.com

FINANCIAL STATEMENTS

December 31, 2023

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CANICKEL MINING LIMITED

Opinion

We have audited the financial statements of CaNickel Mining Limited (the "Company"), which comprise:
- the statements of financial position as at December 31, 2023 and 2022;
- the statements of loss and comprehensive loss for the years then ended;
- the statements of changes in shareholders' deficiency for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, including a summary of material accounting policy information

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company incurred a net loss of $7,813,033 during the year ended December 31, 2023 and, as of that date, the Company's current liabilities exceeded its current assets by $103,909,959. As stated in Note 2 these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our auditors' report.

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Hervé Leong-Chung.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 26, 2024

Statements of Financial Position

(Expressed in Canadian Dollars)

As at	Notes		December 31, 2023		December 31, 2022
ASSETS					
Current					
Cash		$	**567,078**	$	55,361
Receivables and prepaid expenses	5		**7,434**		28,322
			574,512		83,683
Non-Current					
Mineral properties, plant and equipment	6		**3,890,442**		5,117,232
Investment in associate	7		**-**		349,206
Other non-current assets	8		**2,537,374**		2,537,374
		$	**7,002,328**	$	8,087,495
LIABILITIES					
Current					
Accounts payable and accrued liabilities	14	$	**213,387**	$	358,375
Deferred income	6		**1,116,338**		-
Loans from a related party	12		**-**		2,810,462
Loans and advances from a shareholder	9		**103,154,747**		94,352,221
			104,484,471		97,521,058
Non-Current					
Site closure and reclamation provisions	10		**8,590,017**		8,825,564
			113,074,488		106,346,622
SHAREHOLDERS' DEFICIENCY					
Share capital	11		**186,952,654**		186,952,654
Contributed surplus			**32,873,345**		32,873,345
Accumulated deficit			**(325,898,159)**		(318,085,126)
			(106,072,160)		(98,259,127)
		$	**7,002,328**	$	8,087,495

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

“Wenfeng Liu”, Director

“Myles Gao”, Director

See accompanying notes to the financial statements

Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars, except share data)

	Notes	Year ended December 31, **2023**	2022
Revenue		**$ -**	$ -
Care and maintenance costs		**(589,660)**	(709,638)
Amortization and depreciation		**(1,069,282)**	(961,415)
Loss from mine operations		**(1,658,942)**	(1,671,053)
Finance costs	3,9	**(9,193,327)**	(16,564,632)
General and administration		**(24,173)**	(17,462)
Exploration and evaluation expenses	6	**(35,685)**	(28,794)
Impairment (charges) reversals		**367,517**	(2,473,961)
Legal and professional fees		**(199,900)**	(104,684)
Salaries, consulting and management fees	12	**(427,069)**	(269,081)
Shareholder communications and investor relations		**(42,248)**	(40,999)
Equity gain in associate	7	**3,400,794**	11,729,545
Net loss and comprehensive loss for the year		**(7,813,033)**	(9,441,121)
Loss per share - basic & diluted		**$ (0.21)**	$ (0.25)
Weighted average number of shares outstanding - basic & diluted		**37,520,369**	37,520,369

See accompanying notes to the financial statements

Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian Dollars, except share data)

	Common Shares				
	Number of shares issued	Amount	Contributed Surplus	Accumulated Deficit	Total Deficiency
As at January 1, 2022	37,520,369	$ 186,952,654	$ 32,873,345	$ (308,644,005)	$ (88,818,006)
Loss for the year	-	-	-	(9,441,121)	(9,441,121)
As at December 31, 2022	37,520,369	186,952,654	32,873,345	(318,085,126)	(98,259,127)
Loss for the year	-	-	-	**(7,813,033)**	(7,813,033)
As at December 31, 2023	**37,520,369**	**$ 186,952,654**	**$ 32,873,345**	**$ (325,898,159)**	**$ (106,072,160)**

See accompanying notes to the financial statements

Statements of Cash Flows

(Expressed in Canadian Dollars)

		Year ended December 31,	
	Notes	**2023**	2022
OPERATING ACTIVITIES:			
Net loss for the year		$ **(7,813,033)**	$ (9,441,121)
Items not affecting cash:			
Accretion of site closure and reclamation provisions	3,8	**289,478**	63,050
Amortization and depreciation		**1,069,282**	961,415
Unrealized foreign exchange expense (gain)	3	**(2,367,279)**	5,904,021
Interest expenses accrued	3,7,10	**11,289,443**	10,597,993
Re-evaluation of site closure and reclamation provisions			-
Exploration and evaluation expenses	4	**35,685**	28,794
Impairment charges (reversals)	4	**(367,517)**	2,473,961
Equity gain in associate	6	**(3,400,794)**	(11,729,545)
Net change in non-cash working capital	13	**(124,100)**	(57,539)
		(1,388,835)	(1,198,971)
FINANCING ACTIVITIES:			
Advance from a shareholder	7	**-**	1,140,000
Loan (repayments) from related party	12	**(2,858,868)**	2,778,039
Repayments to a shareholder		**(71,233)**	(12,500,000)
		(2,930,101)	(8,581,961)
INVESTING ACTIVITIES:			
Mineral properties, plant, and equipment	4	**(35,685)**	(28,794)
Proceeds received from mineral option agreement	6	**1,116,338**	-
Distributions from associate	6	**3,750,000**	9,721,962
		4,830,653	9,693,168
CHANGE IN CASH		**511,717**	(87,764)
CASH, beginning of year		**55,361**	143,125
CASH, end of year		$ **567,078**	$ 55,361

SUPPLEMENTAL INFORMATION			
Interest paid		$ **-**	$ -
Income taxes paid		$ **-**	$ -

See accompanying notes to the financial statements

1. CORPORATE INFORMATION

CaNickel Mining Limited ("CaNickel" or the "Company") is a Canadian resource company focused on the care and maintenance of its 100% owned Bucko Lake Mine and nickel sulphide project located near Wabowden, Manitoba. The current registered office and corporate head office of the Company is located at Suite 720, 320 Granville Street, Vancouver, British Columbia, Canada.

The Bucko Lake Mine achieved commercial production in June 2009 and was in operation periodically in 2010 and 2011 before being placed into care and maintenance in 2012 due to low nickel prices. Since then, the Company's main objective has been focused on carrying out minimal exploration work and running the care and maintenance program at the Bucko Lake Mine to safeguard assets.

In 2017, the Company made an investment in the Welichem Research General Partnership (the "Welichem Partnership"), which operates the business of LJ Resources Co. Ltd. (formerly Welichem Biotech Inc., "LJ Resources"), a research business located in Burnaby, British Columbia. In 2018, to offset costs of the care and maintenance, the Company entered into an arrangement to provide an option to a third party to lease its Bucko Lake Mine mill facilities. The arrangement was terminated in July 2021.

In December 2023, the Company signed an option agreement with Blackstone Minerals Limited ("Blackstone Minerals", a public listed company in Australia) and its subsidiary, Cobalt One Energy Corporation ("Cobalt One"), pursuant to which Cobalt One has been granted the exclusive right and option for a 12-month period (the "Option") to purchase CaNickel's Bucko Lake Mine (note 6).

2. MATERIAL ACCOUNTING POLICIES

a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements have been approved by the Board of Directors on April 26, 2024.

b) Basis of Measurement

These financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All financial information in these financial statements is presented in Canadian dollars, except as otherwise stated.

c) Significant Accounting Judgments, Estimates, and Assumptions

The preparation of the financial statements in conformity with IFRS requires management to make adjustments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the financial statements. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events, which are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In particular, the Company has identified the following areas where significant judgment, estimates and assumptions are required. Changes in these assumptions may materially affect the financial position or financial results reported in future periods. Further information on each of these areas and how they impact the various accounting policies are described below and in the relevant notes to the financial statements.

Going concern

Management has determined that the Company will be able to continue as a going concern for the foreseeable future and realize its assets and discharge its liabilities and commitments in the normal course of business, and therefore, these financial statements have been prepared on a going concern basis and do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

The business of exploring and mining for minerals involves a high degree of risk and there can be no assurance that current operations, including exploration programs, will result in profitable mining operations. The recoverability of the carrying value of mineral properties, plant and equipment and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Due to unfavorable nickel prices, the Company's operational mine, Bucko Lake Mine, was placed into care and maintenance in July 2012. Since then, the Company's main objective have been focused on carrying out minimum exploration program and running the care and maintenance program at Bucko Lake Mine to safeguard assets.

The Company has an accumulated deficit of $325,898,159 and a working capital deficiency of $103,909,959 as at December 31, 2023. The Company is currently relying on the support and funding from the Company's largest shareholder and creditor, Hebei Wenfeng Industrial Company Limited ("Hebei Wenfeng"). As at December 31, 2023, the outstanding balance the Company owed to Hebei Wenfeng is $103,154,747. The Company has $567,078 cash on hand, which is not sufficient to fund the Company's operational needs for the next twelve months and needs continued support from Hebei Wenfeng. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. In the event that Hebei Wenfeng discontinues its support and calls its demand loans and advances, the Company would not be able to continue as a going concern and material adjustments could be required to the carrying value of assets and liabilities and the statements of financial position classification used.

As a result of the Company's strained financial position, the Company has been evaluating alternative strategies to bring the Bucko Lake Mine back into operation. As a result of these efforts, the Company signed an option agreement with Blackstone Minerals Limited and its subsidiary, Cobalt One Energy Corporation in December 2023, pursuant to which Cobalt One has been granted the exclusive right and option for a 12-month period to purchase CaNickel's Bucko Lake Mine (note 6).

Control and significant influence

The Company consolidates all entities which are determined to be controlled by the Company. Control is evaluated on the ability of the Company to direct the activities of an entity to derive variable returns and management uses judgment in determining whether control exists. Judgment is exercised in the evaluation of the variable returns and in determining the extent to which the Company has the ability to exercise its power to generate variable returns.

The Company applies the equity method to account for its investments when the Company determines that it has significant influence in the investees. Significant influence is the power to participate in the financial and operating policy decision of the investee but not control of those policies. Management uses judgment in determining whether significant influence exists. Judgment is exercised in the evaluation of its voting power and potential voting rights by examining all facts and circumstances in determining its powers to participate in the financial and operating policy decisions of an investee.

Site closure and reclamation provisions

The Company assesses its site closure and reclamation provisions at each reporting date. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate amount payable. These factors include estimates of the extent, cost, and timing of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the changes of inflation rate and discount rates. These uncertainties may result in future expenditure differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future reclamation costs required.

Impairment of assets

The Company assesses each asset or cash-generating unit ("CGU") at each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices (considering current and historical prices, price trends, and related factors), discount rates, operating costs, future capital requirement, closure and rehabilitation costs, exploration potential, and reserves. Therefore, there is the possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account.

Cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money, and the risks specific to the asset or CGU. When discounted cash flow technique is not practical, estimated net sellable value of each piece of property, plant and equipment is used for the recoverable estimate. Management has assessed its CGUs as being an individual mine site, which is the lowest level for which cash inflows are largely independent of those of other assets or CGUs.

Given there are no plans for the Company to resume mining operations, the recoverable amount of plant and equipment at the Bucko Lake Mine has been determined based on the value that could be recovered through an orderly sales process. As to the Thompson Nickel Belt properties ("TNB properties"), management has deemed it is prudent to write off its carrying value by reference to nickel prices and known mineral resources.

Recoverability of deferred tax assets

In assessing the probability of realizing income tax assets to be recognized, the Company makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

In making its assessments, the Company gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement.

Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Recoverability of investment in associate

The determination of when an investment is impaired requires significant judgment. In making this judgment, the Company evaluates, amongst other things, the duration and extent to which the fair value of the investment is less than its carrying value at each reporting date.

Contingencies

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

d) Foreign Currency Translation

The Company's financial statements are presented in Canadian dollars, which is also the functional currency of the Company. Monetary assets and liabilities denominated in currencies other than the Canadian dollar are initially recorded in the functional currency at the respective spot rate of exchange ruling at the date of the transaction, and then translated into Canadian dollars at the rates of exchange prevailing at the reporting date. All differences are taken to profit or loss. Non-monetary assets and liabilities are translated at historical exchange rates prevailing at each transaction date. Revenues and expenses are translated at average rates throughout the reporting period.

e) Loss per share

Basic earnings or loss per share is calculated by dividing the earnings or loss for the period by the weighted average number of shares outstanding during the same period.

Diluted earnings or loss per share is calculated by dividing the earnings or loss for the period by the weighted average number of shares outstanding during the same period adjusted for the effects of all dilutive potential common shares, which comprise options granted to employees and warrants. The dilutive effect of options and warrants is determined using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings or loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period, to the extent they are not anti-dilutive.

f) Mineral Properties, Plant and Equipment

Mineral properties, plant and equipment are recorded at cost less accumulated depreciation, depletion and amortization, and accumulated impairment losses.

Recognition and measurement

Mineral property acquisition and development costs, including the fair value of consideration given to acquire the mineral property at the time of acquisition, exploration and evaluation assets transferred, mine construction cost and development cost that will enable the physical access to ore underground, are capitalized. Development costs are net of proceeds from the sale of metal extracted during the development phase prior to the date mining assets are operating in the way intended by management. When the Company incurs debt directly related to the construction of a new operation or major expansion, the related financing costs are capitalized during the construction period.

Plant and equipment costs include the fair value of the consideration given to acquire assets at the time of acquisition or construction and include expenditures that are directly attributable to bringing the asset to the location and condition necessary for their intended use. The cost of replacing a part of an item of plant and equipment is recorded in the carrying amount of the item provided that there are future economic benefits, and the costs can be measured. The carrying amount of the part being replaced is then derecognized. The costs of day-to-day servicing of plant and equipment are recognized in the statements of comprehensive loss.

Exploration and evaluation costs include the costs to acquire exploration and evaluation assets, payments to maintain the assets in good standing, costs of conducting geological surveys, exploratory drilling, and sampling, and administrative and other general overhead costs associated with finding specific mineral resources. Exploration and evaluation costs are capitalized provided that there is an expectation that the costs will be recoverable in exploitation or sale. Expenditures incurred prior to the Company obtaining legal rights to explore an area are recognized as an expense in the period. Upon completion of a technical feasibility study and when commercial viability is demonstrated, capitalized exploration and evaluation costs are tested for impairment and transferred to and classified as mineral property acquisition and development costs. No amortization is charged during the exploration and evaluation phase.

Mineral property, plant and equipment costs also include an initial estimate of the costs of dismantling and removing the assets and restoring the site on which they are located, and for qualifying assets, borrowing costs.

When parts of an item of mineral property, plant and equipment have different useful lives, they are accounted for separately as major components. Mineral property, plant and equipment are derecognized upon disposal or when no future economic benefits are expected. Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized in the statements of income (loss) and comprehensive income (loss).

When a mine is placed on care and maintenance, expenditures incurred in relation to maintaining the mine during the care and maintenance period are expensed and recorded as care and maintenance costs on the statements of income (loss) and comprehensive income (loss).

Depreciation and amortization

Plant and equipment are amortized to their estimated residual value on a straight-line basis over the shorter of their estimated useful lives and economic lives as follows:

Building	20 years
Equipment:	3 to 10 years

The residual value, useful lives, and methods of depreciation/amortization of plant and equipment are reviewed at each reporting period and adjusted prospectively if appropriate.

g) Investment in Associate

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated using the equity method of accounting. Under the equity method, investments in associates are initially recognized in the statements of financial position at cost and adjusted thereafter to recognize the Company’s share of the profit or loss and other comprehensive income (loss) of the associate and distributions received from the associate.

When the Company’s share of losses of an associate exceeds the Company’s interest in that associate (which includes any long-term interests that, in substance, form part of the Company’s net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of that associate. If the associate subsequently reports surpluses, the Company resumes recognizing its share of those surpluses only after its share of surpluses equals the share of losses not recognized.

Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

h) Provisions

Provisions are liabilities that are uncertain in timing or amount. The Company records a provision when, and only when:

(i) The Company has a present obligation (legal or constructive) as a result of a past event;
(ii) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
(iii) A reliable estimate can be made of the amount of the obligation.

Constructive obligations are obligations that derive from the Company's actions where:

(i) By an established pattern of past practice, published policies or a sufficiently specific current statement, the Company has indicated to other parties that it will accept certain responsibilities; and
(ii) As a result, the Company has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Provisions are reviewed at the end of each reporting period and adjusted to reflect management's current best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. Provisions are reduced by actual expenditures for which the provision was originally recognized. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects where appropriate, the risk specific to the liability. Where discounting has been used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase (accretion expense) is included in finance costs in profit and loss.

Site closure and reclamation provision

The Company records the present value of estimated costs of legal and constructive obligations required to restore mining and other operations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailing dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation of affected areas.

The obligation generally arises when the asset is installed, or the ground/environment is disturbed at the mining operations location. When the liability is initially recognized, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred as a result of the development/construction of the mine. Any rehabilitation obligations that arise through the production of inventory are expensed when the inventory item is recognized in cost of goods sold. Over time, the discounted liability is increased for the change in present value based on the discount rate that reflects the current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognized in profit or loss as part of finance costs. Additional disturbances or changes in reclamation costs are recognized as additions or charges to the corresponding assets and reclamation liability when they occur. Costs related to restoration of site damage (subsequent to start of commercial production) that is created on an ongoing basis during production are provided for at their present value and recognized in profit or loss as extraction progresses.

Changes to estimated future costs are recognized in the statement of financial position by either increasing or decreasing the reclamation liability and asset to which it relates if the initial estimate was originally recognized as part of an asset measured in accordance with IAS 16 Property, Plant and Equipment. Any reduction in the reclamation liability and therefore, any deduction from the asset to which it relates, may not exceed the original carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

If the change in estimate results in an increase in the reclamation liability and therefore, an addition to the carrying value of the asset, the Company considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment.

i) Financial Instruments

Initial recognition:
On initial recognition, all financial assets and financial liabilities are recorded at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as fair value through profit or loss ("FVTPL"), in which case transaction costs are expensed as incurred.

Subsequent measurement of financial assets:
Subsequent measurement of financial assets depends on the classification of such assets.

I. Non-equity instruments:
Financial assets are subsequently measured at amortized cost or fair value. To qualify for amortized cost accounting, the instrument must meet two criteria:
- The objective of the business model is to hold the financial asset for the collection of the cash flows; and
- All contractual cash flows represent only principal and interest on that principal.

All other instruments are mandatorily measured at fair value.

II. Equity instruments:
At initial recognition, for equity instruments other than held for trading, the Company may make an irrevocable election to designate it as either FVTPL or fair value through other comprehensive income ("FVTOCI").

Financial assets classified as amortized cost are measured using the effective interest method. Amortized cost is calculated by taking into account any discount or premiums on acquisition and fees that are an integral part of the effective interest method. Amortization from the effective interest method is recognized in profit or loss.

Financial assets classified as FVTPL are measured at fair value with changes in fair values recognized in profit or loss. Equity investments designated as FVTOCI are measured at fair value with changes in fair values recognized in other comprehensive income ("OCI"). Dividends from that investment are recorded in profit or loss when the Company's right to receive payment of the dividend is established unless they represent a recovery of part of the cost of the investment.

Impairment of financial assets carried at amortized cost:
The Company assesses at the end of each reporting period whether there is objective evidence that financial assets or group of financial assets measured at amortized cost are impaired. Impairment losses and reversal of impairment losses, if any, are recognized in profit or loss in the period they are incurred.

Subsequent measurement of financial liabilities:
Financial liabilities classified as amortized cost are measured using the effective interest method. Amortized cost is calculated by taking into account any discount or premiums on acquisition and fees that are an integral part of the effective interest method. Amortization using the effective interest method is included in finance costs.

Financial liabilities classified as FVTPL are measured at fair value with gains and losses recognized in profit or loss.

The Company classifies its financial instruments as follows:

- Financial assets classified as FVTPL: cash;
- Financial assets classified as amortized cost: receivables; and
- Financial liabilities classified as amortized cost: accounts payable and accrued liabilities, deferred income, loans and advances from a shareholder.

Derecognition of financial assets and financial liabilities:
A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Gains and losses on derecognition of financial assets and liabilities classified as amortized cost are recognized in profit or loss when the instrument is derecognized or impaired, as well as through the amortization process.

Gains and losses on derecognition of equity investments designated as FVTOCI (including any related foreign exchange component) are recognized in OCI. Amounts presented in OCI are not subsequently transferred to profit or loss, although the cumulative gain or loss may be transferred within equity.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability. In this case, a new liability is recognized, and the difference in the respective carrying amounts is recognized in the statements of loss (income) and comprehensive loss (income).

Offsetting of financial instruments:
Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle liabilities simultaneously.

Fair value of financial instruments:
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without deduction for transaction costs. For financial instruments that are not traded in active markets, the fair value is determined using appropriate valuation techniques, such as using a recent arm's length market transaction between knowledgeable and willing parties, discounted cash flow analysis, reference to the current fair value of another instrument that is substantially the same, or other valuation models.

j) Borrowing Costs

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

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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

k) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described, as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable

(Expressed in Canadian Dollars, except share data and otherwise stated)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Management of the Company determines the policies and procedures for both recurring fair value measurement, such as cash, and non-recurring measurement, such as impairment tests.

At each reporting date, management analyzes the movements in the values of assets and liabilities which are required to be re-measured or reassessed as per the Company's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. Management also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3. FINANCE COSTS

Finance costs comprise the following:

		Year ended December 31,	
		2023	2022
Accretion for site closure and reclamation provision		**$ 289,478**	$ 63,050
Foreign exchange loss (gain)	9	**(2,367,130)**	5,903,589
Interest expense	9	**11,270,979**	10,597,993
		$ 9,193,327	$ 16,564,632

4. INCOME TAXES

Income tax recovery (expense) differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before taxes. These differences result from the following items:

	2023	2022
Accounting Income (loss) before income taxes	**(7,813,033)**	(9,369,084)
Canadian federal and provincial income tax rates	**27.00%**	27.00%
Income tax expense (recovery)	**(2,109,519)**	(2,529,653)
Non-temporary differences	**551**	437
Temporary income tax differences not recognized	**1,945,825**	4,899,357
Unrecognized (utilized) deferred tax assets	**163,143**	(2,370,141)
	$ -	$ -

(Expressed in Canadian Dollars, except share data and otherwise stated)

The Company has significant components of unrecognized deferred income tax assets as follows:

		December 31, 2023		December 31, 2022
Deferred income tax assets				
Unused non-capital losses	**$**	**20,033,124**	$	19,869,430
Resource properties		**15,625,120**		29,920,449
Mining tax asset		**15,417,018**		15,414,410
Federal pre-production mining income tax credit		**1,450,205**		1,450,205
Investment in associate		**1,350,000**		1,350,000
	$	**53,875,467**	$	68,004,494

The Company has approximately $73.6 million of non-capital losses, which could be utilized to reduce the taxable income of future years under certain circumstances, which expire as follows:

Expire year		Amount
2030		**10,566,882**
2031		**23,540,753**
2032		**12,688,652**
2033		**11,487,657**
2034		**7,966,421**
2035		**2,994,050**
2036		**1,275,596**
2037		**1,196,456**
2038		**403,369**
2040		**956,217**
2041		**-**
2042		**-**
2043		**606,274**
Total	**$**	**73,682,327**

The Company also has $49.3 million of Canadian exploration and development expenditures and $60.3 million of capital cost allowances as at December 31, 2023, which under certain circumstances could also be utilized to reduce the taxable income of future years.

Based on the Mining Tax Act (Manitoba, Canada), the Company has a mining tax asset of approximately $15.4 million (2022 - $15.4 million) as at December 31, 2023, which under certain circumstances could be utilized to reduce the income tax in Manitoba in the future years.

(Expressed in Canadian Dollars, except share data and otherwise stated)

5. RECEIVABLES AND PREPAID EXPENSES

Receivables and prepaid expenses comprise the following:

	December 31, 2023	December 31, 2022
Taxes receivable	**$ -**	$ 18,388
Prepaid expenses	**7,434**	9,934
	$ 7,434	$ 28,322

6. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Cost	Exploration and evaluation expenditure	Bucko Lake Mine: Mineral property acquisition and development	Bucko Lake Mine: Plant, building and equipment	Total
As at December 31, 2021	$ 23,587,522	$ 96,783,028	$ 76,732,393	$ 197,102,943
Additions	-	-	-	-
Adjustments to reclamation provision	-	2,473,961	1,078,647	3,552,608
As at December 31, 2022	23,587,522	99,256,989	77,811,040	200,655,551
Additions	-	-	-	-
Adjustments to reclamation provision	-	-	(157,508)	(157,508)
As at December 31, 2023	**$ 23,587,522**	**$ 99,256,989**	**$ 77,653,532**	**$ 200,498,043**

Accumulated depreciation, depletion, amortization, and impairment	Exploration and evaluation expenditure	Mineral property acquisition and development	Plant, building and equipment	Total
As at December 31, 2021	$ 23,587,522	$ 96,783,028	$ 71,732,393	$ 192,102,943
Depreciation, depletion and amortization	-	-	961,415	961,415
Impairment	-	2,473,961	-	2,473,961
As at December 31, 2022	23,587,522	99,256,989	72,693,808	195,538,319
Depreciation, depletion and amortization	-	-	1,069,282	1,069,282
Impairment	-	-		-
As at December 31, 2023	**$ 23,587,522**	**$ 99,256,989**	**$ 73,763,090**	**$ 196,607,601**

Net book value	Exploration and evaluation expenditure	Mineral property acquisition and development	Plant, building and equipment	Total
As at December 31, 2022	$ -	$ -	$ 5,117,232	$ 5,117,232
As at December 31, 2023	**$ -**	**$ -**	**$ 3,890,442**	**$ 3,890,442**

a) Exploration and evaluation expenditures

Thompson Nickel Belt ("TNB")

Management determined that the carrying value of the TNB properties exceeded its recoverable value and its carrying value was impaired to be $nil based on an estimate of fair value less costs of disposal ("FVLVD") as the Company has no plan to carry further exploration program at the TNB properties. Expenditures paid to maintain certain claims in good standing were recorded as exploration and evaluation expenses on the statements of income (loss) and comprehensive income (loss).

In 2023, the Company incurred expenditures of $35,685 at TNB properties (2022 - $28,794).

The Company's 100% interest in the TNB properties is subject to a back-in right whereby should the Company outline a threshold deposit or deposits, each of which exceed 500 million pounds of nickel in measured and indicated resources, Glencore Canada Corporation ("Glencore") has the right to back-in for a 50% interest and become the operator of the threshold deposit or deposits by incurring expenditures on the property in an amount equal to two times the aggregate of all expenditures which were incurred by the Company in carrying out mining operations on the property prior to the back-in, provided that if Glencore exercises more than one back-in right, then in calculating the required back-in expenditures for each subsequent back-in right, expenditures relating to any previously exercised back-in right are excluded from such expenditure calculation.

The properties are also subject to underlying agreements, specifically a 2.5% NSR held by Glencore.

b) Bucko Lake Mine

The Bucko Lake Mine, located near the town of Wabowden, Manitoba, first declared commercial production in 2009, but has been placed on care and maintenance due to unfavourable nickel prices since July 2012. In 2023, the Company incurred a total of $589,660 in care and maintenance costs at the Bucko Lake Mine (2022 - $709,638).

The Bucko Lake Mine is considered as the lowest level cash-generating unit. All long-lived assets, which include mineral property acquisition and development, plant, building and equipment, used for the operations at the Bucko Lake Mine, are grouped together and are subject to impairment testing in each reporting period. In 2012, the Company determined that its carrying value was higher than its recoverable value based on an estimate of FVLCD. Accordingly, the Company recognized an impairment of the capitalized assets of the Bucko Lake Mine. The recoverable value assessment is considered a Level 3 fair value assessment.

In 2018, the Company entered into a Mineral Processing Facilities Lease Agreement ("Lease Agreement"), subsequently amended, with a third party (the "Lessee"), which granted a right to the Lessee to use the milling facility of the Bucko Lake Mine to process up to 2.1 million tonnes of ore within seven years from the commencement date of the lease. The commencement of the lease was subject to certain payments prior to the commencement date and the waiver of feasibility/financing conditions by the Lessee. The Lease Agreement was terminated in July 2021, and the termination of the Lease Agreement created an indicator of impairment for the Company's property, plant and equipment. Management engaged an independent equipment specialist to assess the recoverable value of the plant, building and equipment used at the Bucko Lake Mine, using a fair value less costs to sell model ("FVLCD"), which resulted in a further impairment of the plant, building and equipment at the Bucko Lake Mine. The recoverable value assessment is considered a Level 3 fair value assessment. Management reassessed the indicators of impairment of the plant, building and equipment at December 31, 2023 and determined there were no further indicators of impairment.

(Expressed in Canadian Dollars, except share data and otherwise stated)

The Company's interest in the Bucko Lake mining lease is subject to a back-in right held by Glencore. In the event that the Company identifies a new deposit (in addition to the Bucko Lake Mine) with estimated measured and indicated resources in excess of 200 million pounds of nickel, Glencore has the right to purchase a 50% interest in the property and to become the operator of the new deposit in consideration for a payment to the Company of an amount equal to the aggregate of all direct expenditures that were incurred by the Company in carrying out mining operations on the Bucko Lake mining lease outside of the Bucko resource block prior to the date of exercise of the back-in right. Accordingly, the potential benefit to the Company of any discovery of a significantly increased deposit will be limited to a 50% interest in the project.

c) Transaction with Cobalt One

In December 2023, the Company signed an option agreement with Blackstone Minerals and its subsidiary, Cobalt One, pursuant to which Cobalt One has been granted the exclusive right and option for a 12-month period (the "Option") to purchase the Bucko Lake Mine, including all mineral titles, permits, licences, plant, building and equipment related to the mine. As consideration for the Option, the Company was paid a non-refundable option fee of $1,167,337 by Cobalt One. The option period may be extended for up to three successive 30-day periods with a payment of $180,000 for each 30-day extension. Upon exercise of the option, the Company and Cobalt One will enter into an asset purchase agreement where Cobalt One is required to pay further cash proceeds of up to $69 million and shares of Blackstone valued at $10 million over a period of time. The Company has recorded the amount received of $1,116,338 as deferred income until the performance obligation, to enter into an asset purchase agreement at a future date, has been met.

7. INVESTMENT IN ASSOCIATE

The Company owns 10 million Class A Preferred Units and 50 General Units of Welichem Research General Partnership, a technology partnership (the "Welichem Partnership"). LJ Resources amalgamated with Welichem Biotech Inc., a Burnaby, British Columbia research business, in 2019. LJ Resources owns 10 million Class B Preferred Units and 50 General Units of the Welichem Partnership. The Company uses the equity method to account for its investment in the Welichem Partnership.

In 2023, the Company recorded income of $3,400,794 (2022 - income of $11,729,545) arising from the Welichem Partnership. In 2023, the Company received a distribution from the Welichem Partnership in the amount of $3,750,000 (2022 - $9,721,962). A summary of the investment in associate is as follows (the amounts in the comparative columns for 2022 have been recast to conform to the presentation in the current year):

As at		**December 31, 2023**		December 31, 2022
Investment amount	**$**	**10,000,000**	$	10,000,000
Accumulated share of income		**48,471,962**		45,071,168
Distribution received		**(58,471,962)**		(54,721,962)
Total	**$**	**-**	$	349,206

Summarized financial information of the Welichem Partnership is as follows:

As at or for the year ended		**December 31, 2023**		December 31, 2022
Current assets	**$**	**137,046**	$	59,505
Non current assets		**6,419,060**		8,809,427
Current liabilities		**(1,382,140)**		(25,854)
Net income/Loss		**4,564,262**		24,205,255

(Expressed in Canadian Dollars, except share data and otherwise stated)

8. OTHER NON-CURRENT ASSETS

Other non-current assets comprised restricted cash of $2,537,374 as at December 31, 2023 (2022 - $2,537,374), which is the reclamation deposit in accordance with statutory requirements for reclamation provisions to be incurred at the end of the mine life of the Company's Bucko Lake Mine. These funds are not available to finance the Company's day-to-day operations and therefore have been excluded from cash for the purposes of the statements of cash flows.

9. LOANS AND ADVANCES FROM SHAREHOLDER

	Interest bearing loans	Non interest bearing advances	Total
As at December 31, 2021	$ 87,242,630	$ 2,000,000	$ 89,242,630
Interest accrued	10,565,570	-	10,565,570
Additions	-	1,140,000	1,140,000
Repayments	(12,500,000)	–	(12,500,000)
Foreign exchange	5,904,021	-	5,904,021
As at December 31, 2022	91,212,221	3,140,000	94,352,221
Interest accrued	11,241,037	-	11,241,037
Additions	-	(71,232)	(71,232)
Foreign exchange	(2,367,279)	-	(2,367,279)
As at December 31, 2023	**$ 100,085,979**	**$ 3,068,768**	**$ 103,154,747**

All loans and advances from shareholder are unsecured, due on demand, and payable to Hebei Wenfeng.

(a) Interest-bearing loans

In May 2011, the Company arranged a one-year term unsecured debt facility of up to US$5 million (the "Loan") with Hebei Wenfeng. The Loan was drawn down at the option of the Company and bears interest at 10% per annum. The Company was also required to pay 2% of any funds drawn down under the Loan as a structuring fee to Hebei Wenfeng. Principal, interest and structure fees are payable upon maturity. The Loan was subsequently extended to a three-year term but expired on May 28, 2014 and became payable on demand.

In July 2011, the Company entered into an unsecured debt facility of up to US$15 million with Luckyup, an arm's-length party based in Hong Kong. In December 2011, this debt facility was increased to US$25 million. This debt facility was drawn down at the option of the Company and bears interest of 12% per annum. Principal and interest are payable upon maturity. In March 2012, this debt facility was extended from a one-year term to a three-year term but expired on July 22, 2014. In October 2014, Hebei Wenfeng and Luckyup entered into an Assignment Agreement whereby Luckyup assigned and transferred its right and interest in this debt facility to Hebei Wenfeng. Immediately after this Assignment Agreement, Hebei Wenfeng waived a total interest of US$3.5 million accrued on the above interest-bearing loans and became the only interest-bearing loan creditor.

As at December 31, 2023, the total outstanding balance, including interest accretion, of the interest-bearing loans was $100,085,979 (US$75,673,658) (2022 - $91,212,221 (US$67,345,113)).

In 2023, a total of $11,241,037 interest expense (2022 - $10,565,570) and $2,367,279 foreign exchange gain (2022 - $5,904,021 loss), were recorded arising from the US dollar denominated interest-bearing loans.

(Expressed in Canadian Dollars, except share data and otherwise stated)

(b) Non-interest-bearing advances

Due to the financial conditions of the Company, Hebei Wenfeng advanced funds, from time to time, to the Company to support the Company's operations. In 2023, the Company repaid a total of $71,232 (2022 - advance of $1,140,000) to Hebei Wenfeng. As at December 31, 2023, the outstanding balance of the advances from Hebei Wenfeng was $3,068,768 (2022 - $3,140,000). The advances bear no interest and are repayable on demand.

10. SITE CLOSURE AND RECLAMATION PROVISIONS

		December 31, 2023		December 31, 2022
Balance, beginning of year	**$**	**8,825,564**	$	5,209,906
Accretion		**289,478**		63,050
Change in estimates		**(525,025)**		3,552,608
Balance, end of period	**$**	**8,590,017**	$	8,825,564

The site closure and reclamation provision represents the present value of reclamation costs related to the Bucko Lake Mine. These provisions are based on the estimates provided by the Company's expert. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual reclamation costs will ultimately depend upon future market prices for the necessary reclamation works required that will reflect market conditions at the relevant time.

The undiscounted inflation-adjusted value of these obligations is estimated to be $13,690,950 as at December 31, 2023 (2022 - $14,632,558), calculated using an average inflation rate of 2.05% (2022 - 2.2%). Using a discount rate of 3.02% (2022 - 3.28%), the present value of the site closure and reclamation provisions as at December 31, 2023 was estimated to be $8,590,017 (2022 - $8,825,564). The revision of the estimate has been recorded as a decrease to the carrying value of the Bucko Lake Mine and allocated between the mineral property resulted in a reversal of impairment expenses $367,517, acquisition and development and the plant, building and equipment (note 6) with a corresponding decrease in the site closure and reclamation provision.

11. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value.
Unlimited Class A and Class B preferred shares without par value.
No Class A and Class B preferred shares are issued and outstanding.
No common shares were issued during the years ended December 31, 2023 and 2022.

(Expressed in Canadian Dollars, except share data and otherwise stated)

(b) Stock Options

The Company has a stock option plan designed to encourage directors, officers, employees, and consultants of the Company to have equity participation in the Company through the acquisition of common shares. The Company may issue options to purchase common shares equal to 10% of the issued and outstanding common shares of the Company. Options are non-transferable, non-assignable and may be granted for a term not exceeding five years. The exercise price of the options and vesting provisions, if any, are fixed by the Board of Directors of the Company at a price not below the market price of the common shares at the time of grant, subject to all applicable regulatory requirements. There are no cash settlement alternatives.

No options were granted or are outstanding as at December 31, 2023 and 2022.

12. RELATED PARTY TRANSACTIONS

Related party transactions are measured at fair value. Related party transactions with Hebei Wenfeng, the largest shareholder of the Company, are disclosed in note 9 above.

a) Loan from a related party

In 2022, the Company received a loan of $2,778,039 from LJ Resources, the other partner of the Welichem Partnership. The loan bears interest at a rate of 3% per annum, compound annually on the last day of each year. The loan had no specific terms of repayment. A total of $48,406 interest expense was accrued in 2023 (2022 - $32,423). The total outstanding balance of the loan including interest of $2,858,868 was repaid in July 2023.

b) Transactions with key management

The Company has identified its directors and certain senior officers as its key management personnel. The compensation cost for key management personnel, including fees paid or payable to company controlled by key management personnel, is as follows:

	Year ended December 31,	
	2023	2022
Salaries and fees	**$ 426,500**	$ 263,000
	$ 426,500	$ 263,000

13. FAIR VALUE MEASUREMENT AND FINANCIAL INSTRUMENTS

The Company manages its exposure to key financial risk in accordance with the Company’s financial risk management framework. The objective of the framework is to protect the Company`s future financial security. The main risks that could adversely affect the Company`s financial assets, liabilities or future cash flows are liquidity risk, credit risk, and market risk, which comprising foreign exchange rate risk, interest rate risk, and metal price risk. The Company’s Board of Directors has overall responsibility for the establishment and oversight of the Company’s risk management framework and reviews the Company’s policies on an ongoing basis. Currently, the Company does not apply any form of hedge accounting.

(Expressed in Canadian Dollars, except share data and otherwise stated)

a) Fair value

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment, and therefore, cannot be determined with precision. Changes in assumptions could significantly affect estimates. Management assessed that the fair value of cash and accounts payables approximates their carrying amounts largely due to the short-term maturities of these instrument.

The following table provides the quantitative disclosures of fair value measurement hierarchy of the Company's financial assets and liabilities measured on recurring basis.

	December 31, 2023			December 31, 2022		
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets and liabilities measured at fair value						
Cash	**$ 567,078**	**$ -**	**$ -**	$ 55,361	$ -	$ -

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

b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk primarily associated to cash. The carrying value of cash represents the maximum credit exposure.

The Company mitigates credit risk with respect to cash as it uses a significant Canadian bank. The Company undertakes credit evaluations on counterparties as necessary and has monitoring processes intended to mitigate credit risks.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through regular forecasting and the management of its capital structure. As at December 31, 2023, the Company has limited funds to meet its short-term financial liabilities, and working capital, excluding $103,154,747 loans and advances from a shareholder, was in a deficit position of $755,212. Accordingly, additional financing is required for the Company to continue as a going concern.

Based on the contractual obligations of the Company as at December 31, 2023, cash outflow of those obligations based on contractual undiscounted payments, are estimated and summarized as follows:

	Payment Due by Period			
Contractual Obligations	Less than 1 year	1 - 3 years	After 3 years	Total
Accounts payable and accrued liabilities	$ 213,386	$ -	$ -	$ 213,386
Loans and advances from a shareholder	103,154,747	-	-	103,154,747
Total Contractual Obligations	**$ 103,368,133**	**$ -**	**$ -**	**$ 103,368,133**

d) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk, and commodity price risk. Financial instruments affected by market risk include cash, receivables, accounts payable and accrued liabilities, and loans and advances from a shareholder.

i) Interest rate risk

The Company has cash subject to fluctuations in interest rates. The Company's current policy is to invest excess cash in short-term deposits issued by financial institutions. As at December 31, 2023, the Company had $100,085,979 in loans payable bearing fixed interest rates of 12% per annum. As the loans are due on demand, its carrying value approximates its fair value. Currently, the Company does not hedge against interest rate risk.

ii) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company is exposed to foreign exchange risk as a result of certain financing activities being denominated in US dollars. As at December 31, 2023, the following financial assets and liabilities are denominated in US dollars:

Expressed in Canadian dollar equivalents		**December 31, 2023**		December 31, 2022
Financial assets denominated in US Dollars				
Cash	**$**	**6,155**	$	6,735
		6,155		6,735
Financial liabilities denominated in US Dollars				
Loans and advances from a shareholder		**100,085,979**		91,212,221
	$	**100,085,979**	$	91,212,221
Net Liabilites	**$**	**100,079,824**	$	91,205,486

Based on the financial assets and liabilities denominated in US dollars as at December 31, 2023, every 5% strengthening in US dollars would increase net loss by $5,003,991 (2022 - $4,560,274). The Company currently has not entered into any agreement to hedge the foreign exchange risk.

iii) Commodity price risk

The Company is exposed to price risk with respect to commodity prices, mainly nickel prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken. Prices fluctuate on a daily basis and are affected by numerous factors beyond the Company’s control. The supply and demand for nickel, the level of interest rates, the rate of inflation, investment decisions by large holders of nickel, and stability of exchange rates can all cause significant fluctuations in nickel prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

In July 2012, the Company suspended its mining operation due to unfavourable nickel prices. The timing to evaluate a restart scenario of operations would mainly depend on the nickel prices. As at December 31, 2023, the Company has no nickel sales receivable, forward sales contracts, or call options outstanding. Changes in commodity prices would not have any significant impact on the financial position of the Company. However, changes in nickel prices would have a significant impact on the estimated recoverable value of the Company’s mineral properties and mine assets.

(Expressed in Canadian Dollars, except share data and otherwise stated)

14. CONTINGENCIES AND LEGAL MATTERS

In 2017, the Company was charged with offences under the Fisheries Act (Canada) for certain alleged infractions at the Bucko Lake Mine. In 2022, the Company pleaded guilty and accepted a total fine of $200,000, which was to be paid in four instalments of $50,000 every six months. The first and second instalments totaling $100,000 were paid in 2022, and the third and fourth instalments totaling $100,000 were paid in 2023.

15. SUPPLEMENTAL CASH FLOW INFORMATION

	Year ended December 31,	
	2023	2022
Net change in non-cash working capital		
Decrease in receivables and prepaid expenses	**$ 20,888**	$ 17,401
Decrease in accounts payable and accrued liabilities	**(144,989)**	(74,940)
	$ (124,101)	$ (57,539)

16. SEGMENTED INFORMATION

The Company currently operates in a single reportable segment and is focused on nickel mining and related activities, including exploration and the extraction and processing of nickel-containing ore. All assets of the Company are in Canada, and the Bucko Lake Mine was the only operational mine, which the Company has an off-take agreement with Glencore over its mine life.

The investment in associate is not considered a separate segment as the Company is not making operational decisions of the associate.