CaNickel Mining Limited

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2017

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of financial condition and results of operations

for the three months ended March 31, 2017

The Management's Discussion and Analysis ("MD&A") focuses on significant factors that affected the performance of CaNickel Mining Limited ("we", "our", "us", "CaNickel", or the "Company") and such factors may also affect future performance. The MD&A for the three months ended March 31, 2017 should be read in conjunction with the Company's unaudited condensed interim financial statements for the three months ended March 31, 2017 and the audited financial statements for the year ended December 31, 2016 and the related notes contained therein, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and available on SEDAR at www.sedar.com.

This MD&A is prepared as at May 23, 2017 and all figures are in Canadian dollars unless otherwise indicated. Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained therein.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Except for statements of historical fact relating to CaNickel, certain information contained herein constitutes forward-looking information. Forward-looking information includes, but is not limited to, statements with respect to the ability to continue as going concern; continued support and funding from Hebei Wenfeng; foreign exchange rates; the timing for the construction of tailing facility and resumption of operations at Bucko Lake Min, and environmental risks. Generally, forward-looking information can be identified by the use of forward-looking terminology such as ''plans'', ''expects'' or ''does not expect'', ''is expected'', ''budget'', ''scheduled'', ''estimates'', ''forecasts'', ''intends'', ''anticipates'' or ''does not anticipate'', or ''believes'', or variations of such words and phrases or statements that certain actions, events or results ''may'', ''could'', ''would'', ''might'' or ''will be taken'', ''occur'' or ''be achieved''. Forward - looking information is based on the opinions and estimates of management as of the date such statements are made. Estimates regarding the anticipated timing, amount and cost of mining at the Company's projects are based on assumptions underlying mineral reserve and mineral resource estimates and the realization of such estimates are set out herein. Capital and operating cost estimates are based on extensive research of the Company, purchase orders placed by the Company to date, recent estimates of construction and mining costs and other factors that are set out herein. Production estimates are based on mine plans and production schedules, which have been developed by the Company's personnel and independent consultants. These estimates are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of CaNickel to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during construction, expansion and start-up; variations in mineral grade and recovery rates; delay or failure to receive government approvals; timing and availability of external financing on acceptable terms; actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of nickel and other minerals; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.

DESCRIPTION OF BUSINESS

CaNickel Mining Limited ("CaNickel" or "the Company") is a Canadian mining company focused on nickel mining and related activities, including exploration and the extraction and processing of nickel-containing ore. The current registered office and corporate head office of the Company is located at Suite 1655, 999 West Hastings Street, Vancouver, British Columbia, Canada.

The business of mining and exploring 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 exploration and development properties 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 the unfavorable nickel price, the Company's only 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 minimum exploration program and running the care and maintenance program at Bucko Lake Mine to safeguard assets. Whether and when the Company will resume the mining operation and attain profitability and positive cash flow is uncertain and depends on numerous factors, including but not limited to production level, production cost, ore grade, metallurgy, and nickel price.

In August 2015, the Company received notice from the Toronto Stock Exchange (the "TSX") that TSX is reviewing the eligibility of the Company's common shares for continued listing on the TSX. Specifically, the TSX has advised that it is reviewing whether the Company meets the TSX's continued listing criteria in the following areas: (i) the Company's financial condition and operating results, and (ii) whether the Company has adequate working capital and an appropriate capital structure. CaNickel was being reviewed under the TSX's remedial review process and has been granted 120 days to comply with all requirements for listing. In January 2016, the Company voluntarily applied to de-list from TSX and transfer its listing to TSXV as the Company viewed that it would be unable to continue to meet certain minimum financial listing requirements of the TSX. Shares of the Company delisted from TSX on the close of business on February 4, 2016 and commenced trading on TSXV on February 5, 2016. The transfer of the listing provides continued trading liquidity for shareholders on a recognized trading platform and results in lower listing costs for the Company. The Company continues to trade under the symbol "CML.V" and no action is required by shareholders.

The Company has incurred significant losses, negative working capital, and negative cash flow from operations in recent years, which 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 Company is not able to secure additional financing and continue as a going concern, material adjustments would be required to the carrying value of assets and liabilities and the balance sheet classification used.

To address its financing requirements, the Company is currently relying on advances from Hebei Wenfeng Industrial Company Limited ("Hebei Wenfeng"), the largest beneficial shareholder of the Company. In 2016, Hebei Wenfeng advanced a total of $1,000,000 to the Company. For the three months ended March 31, 2017 (Q1 2017), Hebei Wenfeng further advanced $270,000 to the Company.

OPERATION REVIEW

Since the Company placed its only operational and 100% owned mine, Bucko Lake Mine, on care and maintenance in July 2012 as a result of the unfavorable nickel price, the Company has been looking at alternatives to minimize cost to run the care and maintenance program to safeguards assets and ensure compliances. Excluding the non-cash costs, the costs to run the care and maintenance program were $73,734 in Q1 2017 compared to $125,990 in the same prior year quarter.

As Bucko Lake Mine is placed on the care and maintenance and the timing to resume the operations is uncertain, the commissioning of the paste backfill plant and the construction of the phase II tailing management area are on hold.

The Company's interest in the Bucko Lake mining lease is subject to a back-in right held by Glencore Canada Corporation ("Glencore"), formerly Xstrata Nickel Inc. 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 200,000,000 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.

EXPLORATION

In light of the Company's financial conditions and the nickel price, the Company has adopted a conservative approach to reserve cash. As a result, the Company would only carry minimum exploration activities to ensure compliances and maintain mineral claims in good standing.

Due to the decline of metal prices, the Company took impairment charges of $20,586,052 against TNB property as the Company determined that the recoverable value of TNB properties was $nil in 2015.

In 2016, the Company incurred $286,942 expenditures at TNB properties and received a total of $407,452 government assistance and refund on the qualified exploration expenditures incurred in the current year and prior years. The excess of $120,510 government assistance and refund over the expenditures incurred in 2016 was reversed to the impairment charges taken in 2015.

In Q1 2017, the Company did not carry exploration activities at TNB properties.

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 500,000,000 pounds of nickel in measured and indicated resources, 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 i) a 2% net smelter return ("NSR"); and ii) a 10% net proceeds of production royalty payable to Glencore.

RESULTS OF OPERATIONS

Net loss in Q1 2017 was $1,259,617 (same prior year quarter – income of $1,969,865), which was mainly due to the foreign exchange impact arising from revaluation of US dollars against Canadian dollars.

Loss from mine care and maintenance in Q1 2017 was $328,981 (same prior year quarter - $401,107), which were the care and maintenance costs incurred at Bucko Lake Mine. The care and maintenance cost included cash costs of $73,734 (same prior year quarter - $125,990) and amortization expenses of $255,247 (same prior year quarter - $275,117). Since Bucko Lake was placed in care and maintenance, the Company has been taking various alternatives to minimize the cash outlays.

Finance costs in Q1 2017 were $851,454 (same prior year quarter – finance income of $2,473,433). Finance costs primarily included interest and bank charges of $1,877,325 (same prior year quarter - $2,027,266), accretion of site closure and reclamation provisions of $11,368 (same prior year quarter - $41,751), and foreign exchange gain of $1,037,239 (same prior year quarter - $4,511,268). The decrease of finance costs was mainly due to the decrease of foreign exchange gain recorded in Q1 2017. Foreign exchange gain or loss was mainly due to the revaluation of US dollars against Canadian dollars as significant portions of the outstanding balance of loans and advances from shareholder are denominated in US dollar.

General and administration in Q1 2017 was $5,116, comparable to $2,259 in the same prior year quarter.

Legal and professional fees in Q1 2017 was $12,471, comparable to $15,221 in the same prior year quarter. Legal and professional fees include legal fee and audit fees accruals.

Salaries, consulting and management fees in Q1 2017 was $55,058, comparable to $55,000 in the same prior year quarter.

Shareholder communication and investor relations in Q1 2017 were $6,537 (same prior year quarter - $8,647). Shareholder communication and investor relations include the expenses related to regulatory filing, stock exchange listing, annual shareholder meeting, newswire, and investor conference and shows.

Impairment of mineral properties, plant and equipment in Q1 2017 was $nil while an impairment reversal of $21,484 was recorded in the same prior year quarter.

Use of proceeds from financing

The Company did not raise any funds through equity financing but advanced $270,000 from Hebei Wenfeng in Q1 2017. All funds advanced from the related party are to run the care and maintenance program at Bucko Lake Mine, carrying exploration program to safeguard assets, and for general corporate purposes to maintain the listing status of the Company.

QUARTERLY FINANCIAL RESULTS

	Quarters ended			
	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
Care and maintenance costs	$ (328,981)	$ (406,451)	$ (412,038)	$ (517,798)
Other items	(930,636)	(4,195,009)	(2,185,746)	(1,723,940)
Net loss	$ (1,259,617)	$ (4,601,460)	$ (2,597,784)	$ (2,241,738)
Loss per share - basis and diluted	$ (0.03)	$ (0.12)	$ (0.07)	$ (0.06)

	Quarters ended			
	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015
Care and maintenance cost	$ (401,107)	$ (730,203)	$ (809,053)	$ (861,659)
Other items	2,370,972	(3,137,367)	(26,363,324)	(655,534)
Net loss	$ 1,969,865	$ (3,867,570)	$ (27,172,377)	$ (1,517,193)
Loss per share - basis and diluted	$ 0.05	$ (0.10)	$ (0.72)	$ (0.04)

The Company's only operational mine, Bucko Lake Mine, was placed on care and maintenance in July 2012, and since then, no revenue was generated.

The fluctuation of US dollars has significant impact on the foreign exchange gain or loss, which included in other items as above. The fluctuation of other items is mainly arising from the fluctuation of foreign exchange unless otherwise specifically stated.

ANNUAL INFORMATION

	Years ended December 31		
	2016	2015	2014
		Restated	Restated
Total assets	**$ 8,552,544**	$ 9,798,203	$ 32,173,134
Total liabilities	**83,151,411**	76,925,953	59,553,271
Shareholders' equity	**(74,598,867)**	(67,127,750)	(27,380,137)
Dividend declared	**-**	-	-
Care and maintenance cost	**(1,737,394)**	(3,205,686)	(3,484,223)
Other items	**(5,733,723)**	(36,541,927)	(5,025,184)
Net loss	**(7,471,117)**	(39,747,613)	(8,509,407)
Loss per share - basis & diluted	**$ (0.20)**	$ (1.06)	$ (0.23)

Certain adjustments related to the 2015 and 2014 financial statements were identified in the year ended December 31, 2016. These adjustments are considered material. Therefore, the Company considers it is appropriate to restate the previously reported 2015 and 2014 statement of financial position and statement of comprehensive loss. Details of the adjustments made are as follows:

Statements of Comprehensive Loss

(Expressed in Canadian Dollars, except share data)	As reported previously	Adjustments	Note	Restated
	Year ended December 31, 2015			
Care and maintenance costs	$ (3,205,686)	-		$ (3,205,686)
Loss from mine operations	(3,205,686)	-		(3,205,686)
Finance costs	(17,374,852)	698,841	(i)	(16,676,011)
General and administration	(46,384)	-		(46,384)
Impairment of mineral properties, plant and equipment	(19,523,881)	-		(19,523,881)
Inventory writedown	(151,574)	-		(151,574)
Legal and professional fees	(62,053)	-		(62,053)
Other income and expenses	203,579			203,579
Salaries, consulting and management fees	(225,000)	-		(225,000)
Shareholder communications and investor relations	(60,603)	-		(60,603)
Net loss and Comprehensive loss for the period	(40,446,454)	698,841		(39,747,613)
Loss per share - basic & diluted	$ (1.08)			$ (1.06)
Weighted average number of shares - basic & diluted	37,520,369			37,520,369

Statements of Financial Position

(Expressed in Canadian Dollars)	As reported previously	Adjustments	Note	Restated	As reported previously	Adjustments	Note	Restated
	December 31, 2015				December 31, 2014			
ASSETS								
Current								
Cash	27,633	-		27,633	364,983	-		364,983
Receivables and prepaid expenses	104,605	-		104,605	184,256	-		184,256
Inventory	126,280	-		126,280	301,229	-		301,229
	258,518	-		258,518	850,468	-		850,468
Non-Current								
Inventory	152,017	-		152,017	147,142	-		147,142
Mineral properties, plant and equipment	8,850,294	-		8,850,294	30,638,150	-		30,638,150
Other non-current assets	537,374	-		537,374	537,374	-		537,374
	9,798,203	-		9,798,203	32,173,134	-		32,173,134
LIABILITIES								
Current								
Accounts payable and accrued liabilities	1,717,484			1,717,484	1,776,803			1,776,803
Obligations under capital leases	-			-	6,691	-		6,691
Loans and advances from a shareholder	73,947,222	(816,803)	(i)	73,130,419	55,555,269	(117,962)	(i)	55,437,307
	75,664,706	(816,803)		74,847,903	57,338,763	(117,962)		57,220,801
Non-Current								
Site closure and reclamation provisions	2,078,050	-		2,078,050	2,332,470	-		2,332,470
	77,742,756	(816,803)		76,925,953	59,671,233	(117,962)		59,553,271
SHAREHOLDERS' EQUITY								
Share capital	186,952,654	-		186,952,654	186,952,654	-		186,952,654
Contributed surplus	32,873,345	-		32,873,345	32,873,345	-		32,873,345
Accumulated deficit	(287,770,552)	816,803	(i)	(286,953,749)	(247,324,098)	117,962	(i)	(247,206,136)
	(67,944,553)	816,803		(67,127,750)	(27,498,099)	117,962		(27,380,137)
	9,798,203	-		9,798,203	32,173,134	-		32,173,134

(i) To correct interest expenses and foreign exchange gain/loss related to the US$3.5 million waived interest by the Company's largest beneficial shareholder, Hebei Wenfeng. The adjustment to 2015 was a decrease of $698,841 in comprehensive loss and the adjustment to 2014 was a decrease of $117,962 to the 2014 closing accumulated deficit.

These two adjustments have resulted in a total decrease of $816,803 to the 2015 accumulated deficit. Similar adjustments have been made to reduce loans and advances from a shareholder.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2017, the Company had cash of $126,889, increased by $53,493 compared to cash balance of $73,396 as at December 31, 2016. The increase of cash on hand was mainly because the Company was able to reduce the cash outlays to run the care and maintenance program and additional funds advanced from Hebei Wenfeng.

Cash used in operating activities in Q1 2017 was $216,507 compared to $265,706 in the same prior year period, and the decrease was mainly due to less cash outlay incurred to run the care and maintenance program at Bucko Lake Mine. Before net change in non-cash working capital, cash used in operation was $158,951 (same prior year quarter - $206,019).

Cash from financing activities in Q1 2017 was $270,000 (same prior year quarter - $300,000), representing the funds the Company advanced from Hebei Wenfeng to run the care and maintenance program at Bucko Lake Mine and for general corporate use.

Cash from investing activities in Q1 2017 was $nil while $21,484 exploration expenditures incurred at TNB properties in the same prior year quarter.

Working capital as at March 31, 2017 was a deficit of $81,798,191 compared to the negative working capital of $80,805,189 as at December 31, 2016. The increase of working capital deficiency was primarily because i) the Company has no cash generated from operations and from equity financing activities and is relying on advances from related parties to maintain the normal operations of the Company; and ii) additional interest accrued on loans and advances from a shareholder. Excluding the loans and advances from a shareholder, the working capital as at March 31, 2017 was a deficit of $1,455,934 (December 31, 2016 - $1,566,983).

Shareholder's equity as at March 31, 2017 was negative $75,858,484 (December 31, 2016 - negative of $74,598,867) and the decrease was mainly due to the additional loss of $1,259,617 was recorded in the current period.

The estimated cash outflow based on the Company's contractual obligations and assuming Hebei Wenfeng calls upon its debt as at March 31, 2017 was amounted to $81,930,749 and was due within one year. Accordingly, additional financing is required for the Company to continue as a going concern.

To address its financing requirements, the Company is currently relying on advance from its related parties, mainly Hebei Wenfeng, the largest beneficial shareholder of the Company. In Q1 2017, the Company advanced $270,000 from Hebei Wenfeng.

In the event that Hebei Wenfeng discontinues its support or demand repayments, the Company might not be able to raise enough funds to be able to continue as a going concern, and material adjustments would be required to the carrying value of assets and liabilities and the classification presented on the statement of financial position.

The Company's current objective when managing its capital is to safeguard its assets and ability to carry the care and maintenance program at its Bucko Lake Mine and exploration programs at TNB properties.

FAIR VALUE MEASUREMENTS

Fair value estimates are made at a specific point in time, based on relevant market information and information about the assets and liabilities. 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, trade receivable, trade payables, and obligation under capital lease approximate their carrying amounts largely due to the short-term maturities of these instrument.

The quantitative disclosures on financial instruments measured at fair value on a recurring basis are as follows:

	March 31, 2017			December 31, 2016		
	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)
Assets and liabilities measured at fair value						
Cash	$ 126,889	$ -	$ -	$ 73,396	$ -	$ -

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

Fair value of the loans and advance from shareholder(s) could be materially less than its carrying amount as the terms of the loans and advance from shareholder(s) do not represent terms that the Company could obtain on similar loans with arm's length parties. Accordingly, the fair value of these loans would differ from the current book value. Due to the Company's credit risk, it is unrealistic to expect an arm's length third party to provide an equivalent level of debt financing, or at least the terms on which such funding would be made available is undeterminable. Accordingly, the fair value of these loans has not been disclosed as a reasonable estimate cannot be made. For all other financial instruments, book value approximates fair value.

RISK MANAGEMENT

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.

Management constantly monitors and assesses the fluctuation of nickel price and US dollars. The Company does not have any off-balance sheet arrangements or commitments that are expected to have a current or future effect on its financial condition or results of operations, other than those disclosed in this MD&A and the unaudited condensed interim financial statements for the three months ended March 31, 2017 and the related notes.

a) Credit risk

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

The Company undertakes credit evaluations on counterparties as necessary and has monitoring processes intended to mitigate credit risks. There are no amounts in receivables which are past due at March 31, 2017 (December 31, 2016 - $nil) and no provision is recognized.

b) 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 March 31, 2017, the Company has limited funds to meet its short term financial liabilities, and the working capital, net of $80,342,257 loans and advances from shareholder, was in a deficit position of $1,455,934. Accordingly, additional financing is required for the Company to continue as a going concern.

Based on the contractual obligations of the Company as at March 31, 2017, cash outflow of those obligations based on contractual undiscounted payments, are estimated and summarized as follows:

Contractual Obligations	Payment Due by Period Less than 1 year		1 - 3 years		After 3 years		Total
Accounts payable and accrued liabilities	$	1,588,492	$	-	$	-	$ 1,588,492
Loans and advances from a shareholder		80,342,257		-		-	80,342,257
Total Contractual Obligations	**$**	**81,930,749**	**$**	**-**	**$**	**-**	**$ 81,930,749**

c) 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.

d) 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 March 31, 2017, the Company had $68.1 million loans payable bearing fixed coupon rates of 10% to 12% per annum. Due to the financial conditions of the Company and the nature of the loans, which owed to the largest shareholder of the Company, its fair value may not be reasonably estimated, and therefore the impact on the fair value of loans arising from the change of interest rate may not be reasonably estimated. Currently, the Company does not hedge against interest rate risk.

e) 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 some financing activities being denominated in US dollars. As at March 31, 2017, the following financial assets and liabilities are denominated in US Dollars.

Expressed in Canadian dollar equivalents		**March 31, 2017**		December 31, 2016
Financial assets denominated in US Dollars				
Cash	**$**	**868**	$	881
		868		881
Financial liabilities denominated in US Dollars				
Accounts payables and accured liabilities		**12,994**		13,247
Loans and advances from a shareholder		**74,404,528**		73,570,476
	$	**74,417,522**	$	73,583,723

Based on the financial assets and liabilities denominated in US dollars as at March 31, 2017, every 1% strengthening in US dollars would increase net loss by $744,167 (December 31, 2016 - $735,828). The Company currently has not entered into any agreement to hedge the foreign exchange risk.

f) 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. The Company's future mining operations will be significantly affected by changes in the market prices for nickel. 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 resume mining operations would mainly depend on the nickel prices. As at March 31, 2017, the Company has no nickel sales receivable, forward sales contracts, or call options outstanding. Change of commodity prices would not have any significant impact on the financial position of the Company. However, change of nickel price would have significant impact on the estimation of the fair value of the Company's mineral properties.

g) Environmental risk

The operations of the Company are subject to various reclamation-related conditions imposed under federal or provincial rules and permits. The Company believes that the primary environmental management issues, related with the Bucko Mine are associated with the treatment and disposal of mill tailings and related effluent. The Company has a progressive environmental management plan for the prevention of adverse environmental impacts during the life of the mine, including further exploration, mining and milling operation and closure.

Challenges with the federal permitting process to allow disposal of tailings in Bucko Lake and the unlikelihood that Environment Canada will recommend authorization caused the Company to consider alternative solution for tailings disposal. A Notice of Alteration (NOA) to its original Environmental Act License Proposal in December 2007 to include the provision for an interim (land-based) tailings storage facility (ITSF) was submitted and approved.

The Company received its Environment Act License from the Province of Manitoba to permit the Company to commence production at the Bucko Lake Nickel Mine in Manitoba. In September 2011, the Company was granted by the Manitoba government a revised Environment Act License (the "License") to construct and operate a land based tailing management area (the "TMA") at its Bucko Lake Mine, Wabowden, Manitoba. The TMA is an expansion of the existing ITSF and has a footprint of approximately 68.5 hectares to store all tailing from Bucko Lake Mine for the remainder of its existing mine life. Environmental studies indicated that the TMA would have a net benefit in relation to environmental impact, eliminating the need for sub-aqueous deposition of the tailing into Bucko Lake Mine. The construction of the TMA will be carried in two phases and the phase I construction was completed in March 2012. As Bucko Lake Mine currently is on care and maintenance, the phase II construction is currently uncertain.

During the care and maintenance period, the Company is required to maintain active environmental monitoring at Bucko Lake Mine to comply all requirements of the License. If the Company fails to comply with those requirements, the License could be revoked and significant fines and penalty would be charged to the Company. Management has been actively working with the related government agents to comply with the environmental requirements.

RELATED PARTY TRANSACTIONS

Related party transactions were measured at the exchange amount, which is the amount of consideration established and agreed by the related parties. Related party transactions not disclosed elsewhere include the following:

(a) 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:

	Three months ended March 31			
		2017		2016
Salaries and fees	**$**	**48,500**	$	45,000
	$	**48,500**	$	45,000

(b) Transactions with Hebei Wenfeng

		March 31, 2017		December 31, 2016
Interest bearing loans (i)	**$**	**68,050,288**	$	67,125,516
Non interest bearing advances (ii)		**12,291,969**		12,112,690
	$	**80,342,257**	$	79,238,206

i) Interest bearing loans

As at March 31, 2017 and December 31, 2016, all interest bearing loans are unsecured, due on demand, and payable to Hebei Wenfeng.

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 is 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 October 2014, Hebei Wenfeng waived the Company a total accrued interest of US$500,000 on the US$5 million loan.

In July 2011, the Company entered into an unsecured debt facility of up to US$15 million in July 2011 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 one-year term to three-year terms, but expired on July 22, 2014. In October 2014, Hebei Wenfeng and Luckyup entered into an Assignment Agreement that Luckyup assigned and transferred its right and interest in this debt facility to Hebei Wenfeng. Immediately after this Assignment Agreement, Hebei Wenfeng became the only interest bearing loan creditor. In October 2014, Hebei Wenfeng waived the Company a total accrued interest of US$3.0 million on the US$25 million credit facility.

As at March 31, 2017, the total outstanding balance of interest bearing loans from Hebei Wenfeng, including interest accretion and foreign exchange impact, was $68,050,288 (December 31, 2016 - $67,125,516).

For the three months ended March 31, 2017, a total of $1,871,051 interest expenses (same period last year - $1,852,477) and $946,279 foreign exchange gain (same period last year – $4,035,532), respectively, were recorded arising from the US dollar denominated interest bearing loans.

ii) 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 operation. During the three months ended March 31, 2017 Hebei Wenfeng advanced a total of $270,000 to the Company and as at March 31, 2017, the outstanding balance of the advances from Hebei Wenfeng, including foreign exchange impact, was $12,291,970 (December 31, 2016 - $12,112,690). For the three months ended March 31, 2017, a total of $90,720 foreign exchange gain (same prior last year - $417,120) was recorded arising from the US dollar denominated outstanding balances from Hebei Wenfeng.

The advances bear no interest and are due on demand.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The accounting policies applied in preparation of these financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended December 31, 2016

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.

The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its unaudited condensed interim financial statements. In addition, the preparation of the financial data requires that the Company's management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The critical judgments and estimates applied in the preparation of these condensed interim financial statements are consistent with those applied and disclosed in note 3 to the Company's financial statements for the year ended December 31, 2016.

Readers are encouraged to refer to the critical accounting policies and estimates as described in the Company's audited consolidated financial statements and MD&A for the year ended December 31, 2016.

CHANGE IN ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS

The accounting standards and interpretations that are issued but not yet effective listed below are those that the Company reasonably expects will have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards and interpretations, if applicable, when they become effective.

IFRS 9, Financial Instruments ("IFRS 9)

IFRS 9 was issued by the IASB on July 24, 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact the final standard and amendments on its financial statements.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 was issued by IASB in May 2014 and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of analyzing IFRS 15 and determining the effect on our financial statements as a result of adopting this standard.

IFRS 16, Leases ("IFRS 16")

IFRS 16 was issued by IASB in January 2016 and will replace IAS17, Lease and related interpretations. IFRS establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating of finance. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with earlier application permitted if IFRS 15 has also been applied. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. The Company is in the process of analyzing IFRS 16 and determining the effect on our financial statements as a result of adopting this standard.

Contingencies and Legal Matters

Since the mining operation was suspended in July 2012, the Company has been encountering difficulties in retiring some outstanding accounts payables in accordance with terms provided by vendors, and therefore expects that some liens will be placed and legal actions will be initiated. As at September 30, Q1 2017, one lien placed against Bucko Lake Mine for $377,086 remained outstanding.

In January 2014, the Company received a statement of claim for $377,086 from the contractor who placed the lien against Bucko Lake Mine. The Company believed that it has fulfilled its contracted obligations to make payment to the contractor and the claim has no base; accordingly, the Company retained a legal counsel to file a statement of defense and also made a counter claim for refund of overpayment for services not delivered and damages to be determined by court. No further action was carried by the plaintiff since our filing of the defense and counter claim. No provision has been provided for this claim.

In February 2015, the Company received a statement of claim $175,412 against the Company for property damages arising from a blast in February 2013 at Bucko Lake Mine. Management believes that no evidence shows any relation between the property damages and the blast, and the Company is therefore not responsible. Consequently, the Company has filed a statement of defense and requested the claim to be dismissed.

Outstanding Share Data

As at the date of this report, a total of 37,520,369 common shares of the Company were issued and outstanding.

Off Balance Sheet Items

There are no off balance sheet items.

Proposed Transactions

There are no proposed assets or business acquisition or disposition.

Additional Disclosure for Venture Issuers Without Significant Revenue

(a) capitalized or expensed exploration and development costs;

The required disclosure is presented no note 5 to the unaudited condensed interim financial statements for the three months ended March 31, 2017.

(b) expense research and development costs;

Not applicable.

(c) deferred development costs;

Not applicable.

(d) general and administration expenses;

This required disclosure is presented on unaudited condensed interim financial statements of loss and comprehensive loss for the three months ended March 31, 2017.

(e) any material costs, whether capitalized, deferred or expensed, not referred to in (a) through (d);

None

END OF THIS REPORT

CaNickel Mining Limited

www.canickel.com

CONDENSED INTERIM FINANCIAL STATEMENTS

March 31, 2017

(Unaudited)

NOTES TO READER

These unaudited condensed interim financial statements of CaNickel Mining Limited (the "Company"), for the three months ended March 31, 2017 have been prepared by management of the Company and have not been reviewed by the Company's independent auditors, and therefore, they should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2016 which are available at SEDAR website at www.sedar.com.

Condensed Interim Statements of Comprehensive Loss

Unaudited - expressed in Canadian Dollars, except share data)

		Three months ended March 31,	
	Notes	**2017**	2016
Care and maintenance costs		**$ (328,981)**	$ (401,107)
Loss from mine operations	3	**(328,981)**	(401,107)
Finance costs	4	**(851,454)**	2,473,433
General and administration		**(5,116)**	(2,259)
Impairment of mineral properties, plant and equipment		**-**	(21,484)
Legal and professional fees		**(12,471)**	(15,221)
Other income and expenses		**-**	150
Salaries, consulting and management fees	10	**(55,058)**	(55,000)
Shareholder communications and investor relations		**(6,537)**	(8,647)
Net loss and Comprehensive loss for the period		**(1,259,617)**	1,969,865
Loss per share - basic & diluted		**$ (0.03)**	$ 0.05
Weighted average number of shares - basic & diluted		**37,520,369**	37,520,369

Condensed Interim Statements of Financial Position

(Unaudited - expressed in Canadian Dollars)

	Notes		**March 31, 2017**		December 31, 2016
ASSETS					
Current					
Cash		**$**	**126,889**	$	73,396
Receivables and prepaid expenses			**5,669**		12,792
			132,558		86,188
Non-Current					
Mineral properties, plant and equipment	5		**7,673,735**		7,928,982
Other non-current assets			**537,374**		537,374
		$	**8,343,667**	**$**	8,552,544
LIABILITIES					
Current					
Accounts payable and accrued liabilities	6	**$**	**1,588,492**	$	1,653,171
Loans and advances from a shareholder	7		**80,342,257**		79,238,206
			81,930,749		80,891,377
Non-Current					
Site closure and reclamation provisions	8		**2,271,402**		2,260,034
			84,202,151		83,151,411
SHAREHOLDERS' EQUITY					
Share capital	9		**186,952,654**		186,952,654
Contributed surplus			**32,873,345**		32,873,345
Accumulated deficit			**(295,684,483)**		(294,424,866)
			(75,858,484)		(74,598,867)
		$	**8,343,667**	$	8,552,544

Contingencies and legal matters (Note 12)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

"Wenfeng Liu", Director

"Kevin Zhu", Director

Condensed Interim Statements of Changes in Equity

(Expressed in Canadian Dollars, except share data)

	Common Shares								
	Number of shares issued		**Amount**		**Contributed Surplus**		**Accumulated Deficit**		**Total Equity**
As at January 1, 2016	**37,520,369**	**$**	**186,952,654**	**$**	**32,873,345**	**$**	**(294,424,866)**	**$**	**(74,598,867)**
Loss for the period	**-**		**-**		**-**		**(1,259,617)**		**(1,259,617)**
As at March 31, 2017	**37,520,369**	**$**	**186,952,654**	**$**	**32,873,345**	**$**	**(295,684,483)**	**$**	**(75,858,484)**

	Common Shares								
	Number of shares issued		Amount		Contributed Surplus		Accumulated Deficit		Total Equity
As at January 1, 2015	37,520,369		186,952,654		32,873,345		(286,953,749)	$	(67,127,750)
Loss for the period	-		-		-		1,969,865		1,969,865
As at March 31, 2016	37,520,369	$	186,952,654	$	32,873,345	$	(284,983,884)	$	(65,157,885)
Loss for the period	-		-		-		(9,440,982)		(9,440,982)
As at December 31, 2016	37,520,369	$	186,952,654	$	32,873,345	$	(294,424,866)	$	(74,598,867)

Condensed Interim Statements of Cash Flow

(Expressed in Canadian Dollars)

	Notes	Three months ended March 31, **2017**		2016
	3(g)			
OPERATING ACTIVITIES:				
Net loss for the period		**$**	**(1,259,617)**	$ 1,969,865
Items not affecting cash:				
Accretion of site closure and reclamation provisions			**11,368**	10,569
Depreciation, depletion and amortization			**255,247**	275,117
Unrealized foreign exchange (gain) loss			**(1,043,274)**	(4,510,320)
Unpaid interest expenses			**1,877,325**	2,027,266
Impairment on mineral properties, plant and equipment			-	21,484
Net change in non-cash working capital	13		**(57,556)**	(59,687)
			(216,507)	(265,706)
FINANCING ACTIVITIES:				
Advance from related parties	7(b)		**270,000**	300,000
			270,000	300,000
INVESTING ACTIVITIES:				
Mineral properties, plant, and equipment			-	(21,484)
			-	(21,484)
CHANGE IN CASH			**53,493**	12,810
CASH, beginning of period			**73,396**	27,633
CASH, end of period		**$**	**126,889**	$ 40,443
SUPPLEMENTAL INFORMATION				
Interest paid		**$**	**-**	$ -
Income taxes paid		**$**	**-**	$ -

1. CORPORATE INFORMATION

CaNickel Mining Limited ("CaNickel" or "the Company") is a Canadian mining company focused on nickel mining and related activities, including exploration and the extraction and processing of nickel-containing ore. In February 2016, the Company voluntarily delisted its common shares from trading on Toronto Stock Exchange ("TSX") and transferred its listing to the TSX Venture Exchange ("TSXV"), which was trading on TSXV effective at the opening of trading on February 5, 2016 under symbol of "CML". The current registered office and corporate head office of the Company is located at Suite 1655, 999 West Hastings Street, Vancouver, British Columbia, Canada.

Due to the unfavorable nickel price, the Company's only 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 minimum exploration program and running the care and maintenance program at Bucko Lake Mine to safeguard assets.

2. BASIS OF PREPARATION

a) Statement of Compliance

These unaudited condensed interim financial statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting,* as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB have been condensed or omitted and these unaudited condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2016.

b) Basis of Measurement

These financial statements have been prepared on a historical cost basis. 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.

The accounting policies applied in preparation of these financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended December 31, 2016.

These financial statements have assumed that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation, and therefore, these financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. However, the Company has incurred significant losses, negative working capital, and negative cash flow from operations in recent years, which 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 Company is not able to secure additional financing and continue as a going concern, material adjustments would be required to the carrying value of assets and liabilities and the balance sheet classification used.

To address its financing requirements, the Company is currently relying on advance from its related parties, mainly Hebei Wenfeng Industrial Company Limited ("Hebei Wenfeng"), the largest beneficial shareholder and creditor of the Company. However, there is no assurance that Hebei Wenfeng will continue to funds the Company without any limit.

The Board of Directors approved these condensed interim financial statements on May 23, 2016.

c) Accounting standards issued but not yet effective

The accounting standards and interpretations that are issued but not yet effective listed below are those that the Company reasonably expects will have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards and interpretations, if applicable, when they become effective.

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

IFRS 9, Financial Instruments ("IFRS 9)

IFRS 9 was issued by the IASB on July 24, 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact the final standard and amendments on its financial statements.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 was issued by IASB in May 2014 and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of analyzing IFRS 15 and determining the effect on our financial statements as a result of adopting this standard.

IFRS 16, Leases ("IFRS 16")

IFRS 16 was issued by IASB in January 2016 and will replace IAS17, Lease and related interpretations. IFRS establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating of finance. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with earlier application permitted if IFRS 15 has also been applied. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. The Company is in the process of analyzing IFRS 16 and determining the effect on our financial statements as a result of adopting this standard.

3. LOSS FROM MINE OPERATIONS

The Company's only operational mine, Bucko Lake Mine, has been placed into care and maintenance since July 2012. Expenditures incurred at Bucko Lake Mine during the care and maintenance period are expensed or capitalized if the expenditures are capital in nature and determined to be recoverable in the future operations.

	Three months ended March 31,	
	2017	2016
Care and maintenance costs		
Cash cost	**$ 73,734**	$ 125,990
Non - cash cost	**255,247**	275,117
Loss from mine operations	**$ 328,981**	$ 401,107

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

4. FINANCE COSTS

Finance costs comprise the following:

	Three months ended March 31,			
		2017		2016
Accretion for site closure and reclamation provision	**$**	**11,368**	$	10,569
Foreign exchange loss (gain)		**(1,037,239)**		(4,511,268)
Interest expense and bank charges		**1,877,325**		2,027,266
	$	**851,454**	$	(2,473,433)

5. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Cost		Exploration and evaluation expenditure		Mineral property acquisition and development		Plant, building and equipment		Total
As at January 1, 2016	$	21,746,534	$	96,783,028	$	74,257,527	$	192,787,089
Additions		286,942		-		-		286,942
Adjustments to reclamation provision		-		-		139,476		139,476
Government assistance and refunds		(407,452)		-		-		(407,452)
As at December 31, 2016		21,626,024		96,783,028		74,397,003		192,806,055
As at March 31, 2017	**$**	**21,626,024**	**$**	**96,783,028**	**$**	**74,397,003**	**$**	**192,806,055**

Accumulated depreciation, depletion, amortization, and impairment		Exploration and evaluation expenditure		Mineral property acquisition and development		Plant, building and equipment		Total
As at January 1, 2016	$	21,746,534	$	96,783,028	$	65,407,233	$	183,936,795
Depreciation, depletion and amortization		-		-		1,060,788		1,060,788
Impairment		(120,510)		-		-		(120,510)
As at December 31, 2016		21,626,024		96,783,028		66,468,021		184,877,073
Depreciation, depletion and amortization		-		-		255,247		255,247
As at March 31, 2017	**$**	**21,626,024**	**$**	**96,783,028**	**$**	**66,723,268**	**$**	**185,132,320**

Net book value		Exploration and evaluation expenditure		Mineral property acquisition and development		Plant, building and equipment		Total
As at December 31, 2016	$	-	$	-	$	7,928,982	$	7,928,982
As at March 31, 2017	**$**	**-**	**$**	**-**	**$**	**7,673,735**	**$**	**7,673,735**

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities of $1,588,492 remained outstanding as at March 31, 2017 (December 31, 2016 - $1,653,171).

In 2013, Manitoba Finance conducted a Retail Sales Tax ("RST") audit in relation to the Company's purchases and expenditures incurred and for the operations in Manitoba over the past five years. The audit results were finalized in 2014 and required the Company to pay $515,933 RST liabilities, which included $37,440 penalty and $106,135 interest. Upon the Company's application in 2014, Manitoba Finance agreed to waive the interest of $106,135 subject to the full payment of all other remaining amounts and a monthly $10,000 instalment repayment plan. However, the unpaid amount of the RST liabilities is subject to monthly compound interest at the current annual rate of 9%. As at March 31, 2017, $252,099 (December 31, 2016 - $276,552) RST liabilities remained outstanding.

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

7. LOANS AND ADVANCES FROM SHAREHOLDER

		March 31, 2017		December 31, 2016
Interest bearing loans (a)	**$**	**68,050,288**	$	67,125,516
Non interest bearing advances (b)		**12,291,969**		12,112,690
	$	**80,342,257**	$	79,238,206

(a) Interest bearing loans

As at March 31, 2017 and December 31, 2016, all interest bearing loans are unsecured, due on demand, and payable to Hebei Wenfeng.

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 is 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 October 2014, Hebei Wenfeng waived the Company a total accrued interest of US$500,000 on the US$5 million loan.

In July 2011, the Company entered into an unsecured debt facility of up to US$15 million in July 2011 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 one-year term to three-year terms, but expired on July 22, 2014. In October 2014, Hebei Wenfeng and Luckyup entered into an Assignment Agreement that Luckyup assigned and transferred its right and interest in this debt facility to Hebei Wenfeng. Immediately after this Assignment Agreement, Hebei Wenfeng became the only interest bearing loan creditor. In October 2014, Hebei Wenfeng waived the Company a total accrued interest of US$3.0 million on the US$25 million credit facility.

As at March 31, 2017, the total outstanding balance of interest bearing loans from Hebei Wenfeng, including interest accretion and foreign exchange impact, was $68,050,288 (December 31, 2016 - $67,125,516).

For the three months ended March 31, 2017, a total of $1,871,051 interest expenses (same period last year - $1,852,477) and $946,279 foreign exchange gain (same period last year – $4,035,532), respectively, were recorded arising from the US dollar denominated interest bearing loans.

(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 operation. During the three months ended March 31, 2017 Hebei Wenfeng advanced a total of $270,000 to the Company and as at March 31, 2017, the outstanding balance of the advances from Hebei Wenfeng, including foreign exchange impact, was $12,291,970 (December 31, 2016 - $12,112,690). For the three months ended March 31, 2017, a total of $90,720 foreign exchange gain (same prior last year - $417,120) was recorded arising from the US dollar denominated outstanding balances from Hebei Wenfeng.

The advances bear no interest and are due on demand.

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

8. SITE CLOSURE AND RECLAMATION PROVISIONS

		March 31, 2017		December 31, 2016
Balance, beginning of year	$	**2,260,034**	$	2,078,050
Accretion		**11,368**		42,508
Change in estimates		**-**		139,476
Balance, end of year	**$**	**2,271,402**	$	2,260,034

9. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value
Unlimited class A & Class B preference shares without par value.

(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 option was granted during the periods reported and the continuity of stock options issued and outstanding is as follows:

	Number of Options		Weighted Average Price
Outstanding, December 31, 2015	5,000		3.60
Expired	(5,000)		3.60
Outstanding, December 31, 2016	-	$	-
Outstanding, March 31, 2017	**-**	**$**	**-**

10. RELATED PARTY TRANSACTIONS

Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties. Related party transactions with Hebei Wenfeng, the largest shareholder of the Company, are disclosed in note 7 above.

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:

	Three months ended March 31			
		2017		2016
Salaries and fees	**$**	**48,500**	$	45,000
	$	**48,500**	$	45,000

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

11. 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.

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, trade receivable, and trade payables approximate their carrying amounts largely due to the short-term maturities of these instrument.

Fair value of the loans and advance from shareholder(s) could be materially less than its carrying amount as the terms of the loans and advance from shareholder(s) do not represent terms that the Company could obtain on similar loans with arm's length parties. Accordingly, the fair value of these loans would differ from the current book value. Due to the Company's credit risk, it is unrealistic to expect an arm's length third party to provide an equivalent level of debt financing, or at least the terms on which such funding would be made available is undeterminable. Accordingly, the fair value of these loans has not been disclosed as a reasonable estimate cannot be made. For all other current assets and liabilities, book value approximates fair value.

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

	March 31, 2017			December 31, 2016		
	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)
Assets and liabilities measured at fair value						
Cash	**$ 126,889**	**$ -**	**$ -**	$ 73,396	$ -	$ -

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 meets its contractual obligations. The Company is exposed to credit risk primarily associated to accounts receivable and cash. The carrying value of financial assets represents the maximum credit exposure.

The Company undertakes credit evaluations on counterparties as necessary and has monitoring processes intended to mitigate credit risks. There are no amounts in receivables which are past due at March 31, 2017 (December 31, 2016 - $nil) for which no provision is recognized.

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 March 31, 2017, the Company has limited funds to meet its short term financial liabilities, and the working capital, net of $80,342,257 loans and advances from shareholder, was in a deficit position of $1,455,934. Accordingly, additional financing is required for the Company to continue as a going concern.

Based on the contractual obligations of the Company as at March 31, 2017, 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	$	1,588,492	$	-	$	-	$	1,588,492
Loans and advances from a shareholder		80,342,257		-		-		80,342,257
Total Contractual Obligations	**$**	**81,930,749**	**$**	**-**	**$**	**-**	**$**	**81,930,749**

d) Market risk

Mark 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 March 31, 2017, the Company had $68.1 million loans payable bearing fixed coupon rates of 10% to 12% per annum. Due to the financial conditions of the Company and the nature of the loans, which owed to the largest shareholder of the Company, its fair value may not be reasonably estimated, and therefore the impact on the fair value of loans arising from the change of interest rate may not be reasonably estimated. 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 some financing activities being denominated in US dollars. As at March 31, 2017, the following financial assets and liabilities are denominated in US Dollars.

Expressed in Canadian dollar equivalents		**March 31, 2017**		December 31, 2016
Financial assets denominated in US Dollars				
Cash	**$**	**868**	$	881
		868		881
Financial liabilities denominated in US Dollars				
Accounts payables and accured liabilities		**12,994**		13,247
Loans and advances from a shareholder		**74,404,528**		73,570,476
	$	**74,417,522**	$	73,583,723

Based on the financial assets and liabilities denominated in US dollars as at March 31, 2017, every 1% strengthening in US dollars would increase net loss by $744,167 (December 31, 2016 - $735,828). 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. The Company’s future mining operations will be significantly affected by changes in the market prices for nickel. 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.

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In July 2012, the Company suspended its mining operation due to unfavourable nickel prices. The timing to resume mining operations would mainly depend on the nickel prices. As at March 31, 2017, the Company has no nickel sales receivable, forward sales contracts, or call options outstanding. Change of commodity prices would not have any significant impact on the financial position of the Company. However, change of nickel price would have significant impact on the estimation of the fair value of the Company's mineral properties.

12. CONTINGENCIES AND LEGAL MATERS

Since the mining operation was suspended in July 2012, the Company has been encountering difficulties in retiring some outstanding accounts payables in accordance with terms provided by vendors, and therefore expects that some liens will be placed and legal actions will be initiated. As at March 31, 2017, there was one lien placed against Bucko Lake Mine for $377,086.

In January 2014, the Company received a statement of claim for $377,086 from the same contractor who placed the lien against Bucko Lake Mine. The Company believed that it has fulfilled its contracted obligations to make payment to the contractor and the claim has no base; accordingly, the Company retained a legal counsel to file a statement of defense and also made a counter claim for refund of overpayment for services not delivered and damages to be determined by court. No further action was carried by the plaintiff since our filing of the defence and counter claim. No provision has been provided for this claim.

In February 2015, the Company received a statement of claim $175,412 against the Company for property damages arising from a blast in February 2013 at Bucko Lake Mine. Management believes that no evidence shows any relation between the property damages and the blast, and the Company is therefore not responsible. Consequently, the Company has filed a statement of defence and requested the claim to be dismissed.

13. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31,	
	2017	2016
Net change in non-cash working capital		
Decrease in receivables and prepaid expenses	**$ 7,123**	$ 68,447
Decrease in accounts payable and accrued liabilities	**(83,644)**	(128,134)
	$ (76,521)	$ (59,687)

As at March 31, 2017, $124,719 (December 31, 2016 - $124,719) was included in accounts payable and accrued liabilities to acquire mineral properties, plant and equipment.

14. 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 Bucko Lake Mine was the only operational mine, which the Company has an off-take agreement with Glencore over its mine life.

Bucko Lake Mine has been placed into care and maintenance since July 2012. Expenditures incurred during the care and maintenance period are expensed or capitalized if the expenditures are capital in nature and determined to be recoverable in the future operation.