



CaNickel Mining Limited

10000 100th Avenue, Edmonton, Alberta T5A 0G6, Canada

**CONDENSED INTERIM
FINANCIAL STATEMENTS**

March 31, 2015

(Unaudited)

NOTES TO READER

These unaudited condensed interim financial statements of CaNickel Mining Limited (the “Company”), for the three months ended March 31, 2015 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, 2014 which are available at SEDAR website at www.sedar.com.

Condensed Interim Statements of Comprehensive Loss

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

	Notes	Three months ended March 31,	
		2015	2014
Care and maintenance costs		\$ (804,771)	\$ (654,414)
Loss from mine operations	3	(804,771)	(654,414)
Finance costs	4	(6,363,906)	(2,992,025)
General and administration		(5,035)	(7,389)
Legal and professional fees		(5,000)	(3,963)
Other income and expenses		79,193	106,514
Salaries, consulting and management fees	12	(60,000)	(42,276)
Shareholder communications and investor relations		(30,954)	(30,727)
Net loss and Comprehensive loss for the period		(7,190,473)	(3,624,280)
Loss per share - basic & diluted		\$ (0.19)	\$ (0.10)
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, 2015	December 31, 2014
ASSETS			
<i>Current</i>			
Cash		\$ 47,314	\$ 364,983
Receivables and prepaid expenses		89,742	184,256
Inventory	5	443,249	448,371
		580,305	997,610
<i>Non-Current</i>			
Mineral properties, plant and equipment	6	30,202,147	30,638,150
Other non-current assets		537,374	537,374
		\$ 31,319,826	\$ 32,173,134
LIABILITIES			
<i>Current</i>			
Accounts payable and accrued liabilities	7	\$ 1,757,686	\$ 1,776,803
Loans and advances from shareholder	8	61,909,382	55,555,269
Obligations under capital leases	9	-	6,691
		63,667,068	57,338,763
<i>Non-Current</i>			
Site closure and reclamation provisions	10	2,341,330	2,332,470
		66,008,398	59,671,233
SHAREHOLDERS' EQUITY			
Share capital	11	186,952,654	186,952,654
Contributed surplus		32,873,345	32,873,345
Accumulated deficit		(254,514,571)	(247,324,098)
		(34,688,572)	(27,498,099)
		\$ 31,319,826	\$ 32,173,134

Going concern (Note 2(b))

Contingencies and legal matters (Note 15)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

“Wenfeng Liu”, Director

“Kevin Zhu”, Director

Condensed Interim Statements of Changes in Equity

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

	Common Shares		Contributed Surplus	Accumulated Deficit	Total Equity
	Number of shares issued	Amount			
As at January 1, 2015	37,520,369	\$ 186,952,654	\$ 32,873,345	\$ (247,324,098)	\$ (27,498,099)
Loss for the period	-	-	-	(7,190,473)	(7,190,473)
As at March 31, 2015	37,520,369	\$ 186,952,654	\$ 32,873,345	\$ (254,514,571)	\$ (34,688,572)

	Common Shares		Contributed Surplus	Accumulated Deficit	Total Equity
	Number of shares issued	Amount			
As at January 1, 2014	37,520,369	186,952,654	32,873,345	(238,696,729)	\$ (18,870,730)
Loss for the period	-	-	-	(3,624,280)	(3,624,280)
As at March 31, 2014	37,520,369	\$ 186,952,654	\$ 32,873,345	\$ (242,321,009)	\$ (22,495,010)

The accompanying notes form an integral part of these unaudited condensed interim financial statements

Condensed Interim Statements of Cash Flow

(Unaudited - Expressed in Canadian Dollars)

	Notes	Three months ended March 31,	
		2015	2014
OPERATING ACTIVITIES:			
Net loss for the period		\$ (7,190,473)	\$ (3,624,280)
Items not affecting cash:			
Accretion of site closure and reclamation provisions		8,860	12,867
Depreciation, depletion and amortization		577,339	432,134
Unrealized foreign exchange (gain) loss		4,882,473	1,803,185
Interest accretion & expenses		1,471,640	1,170,739
Settlement of obligations		-	(50,820)
Net change in non-cash working capital	16	35,982	(51,471)
		(214,179)	(307,646)
FINANCING ACTIVITIES:			
Advance from related parties		-	700,000
Payment and discharge of capital leases		(6,691)	(145,411)
		(6,691)	554,589
INVESTING ACTIVITIES:			
Payment to acquire mineral properties, plant and equipment		(96,799)	(93,986)
Proceeds released from restricted cash		-	5,803
		(96,799)	(88,183)
CHANGE IN CASH		(317,669)	158,760
CASH, beginning of period		364,983	57,833
CASH, end of period		\$ 47,314	\$ 216,593
SUPPLEMENTAL INFORMATION			
Interest paid		\$ -	\$ 4,043
Income taxes paid		-	-

The accompanying notes form an integral part of these unaudited condensed interim financial statements

CANICKEL MINING LIMITED
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian Dollars, except share data and otherwise stated)

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. 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, 2014.

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, 2014.

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 12, 2015**.

CANICKEL MINING LIMITED**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

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

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,	
	2015	2014
Care and maintenance costs		
Cash cost	\$ 249,083	\$ 584,225
Non - cash cost	555,688	70,189
Loss from mine operations	\$ 804,771	\$ 654,414

4. FINANCE COSTS

Finance costs comprise the following:

	Three months ended March 31,	
	2015	2014
Accretion for site closure and reclamation provision	\$ 8,860	\$ 12,867
Foreign exchange loss (gain)	4,882,665	1,803,185
Interest expense and bank charges	1,472,381	1,175,973
	\$ 6,363,906	\$ 2,992,025

5. INVENTORY

Inventory is recorded at the lower of cost and net realizable value. As of March 31, 2015, inventory comprised material, supplies, and spare parts of \$443,249 (December 31, 2014 - \$448,371). During the three ended March 31, 2014, the amount of inventory charged to care and maintenance cost was \$5,342 and \$56,542, respectively (same periods last year - \$13,495).

CANICKEL MINING LIMITED

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

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

6. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Cost	Exploration and evaluation expenditure	Mineral property acquisition and development	Plant, building and equipment	Equipment under capital lease	Total
As at January 1, 2014	\$ 21,069,868	\$ 97,079,199	\$ 71,278,167	\$ 2,604,664	\$ 192,031,898
Additions	604,226	-	-	-	604,226
Adjustments to reclamation provision	-	-	374,696	-	374,696
Disposal and transfers	(253,305)	-	-	-	(253,305)
Reclassification	-	-	2,604,664	(2,604,664)	-
As at December 31, 2014	21,420,789	97,079,199	74,257,527	-	192,757,515
Additions	121,335	-	-	-	121,335
As at March 31, 2015	\$ 21,542,124	\$ 97,079,199	\$ 74,257,527	\$ -	\$ 192,878,850

Accumulated depreciation, depletion, amortization, and impairment	Exploration and evaluation expenditure	Mineral property acquisition and development	Plant, building and equipment	Equipment under capital lease	Total
As at January 1, 2014	\$ 1,160,482	\$ 97,079,199	\$ 60,402,218	\$ 788,401	\$ 159,430,300
Depreciation, depletion and amortization	-	-	2,049,781	264,588	2,314,369
Disposal	-	-	-	-	-
Reclassification	-	-	1,052,989	(1,052,989)	-
Impairment	-	-	374,696	-	374,696
As at December 31, 2014	1,160,482	97,079,199	63,879,684	-	162,119,365
Depreciation, depletion and amortization	-	-	557,338	-	557,338
Reclassification	-	-	-	-	-
As at March 31, 2015	\$ 1,160,482	\$ 97,079,199	\$ 64,437,022	\$ -	\$ 162,676,703

Net book value	Exploration and evaluation expenditure	Mineral property acquisition and development	Plant, building and equipment	Equipment under capital lease	Total
As at December 31, 2014	\$ 20,260,307	\$ -	\$ 10,377,843	\$ -	\$ 30,638,150
As at March 31, 2015	\$ 20,381,642	\$ -	\$ 9,820,505	\$ -	\$ 30,202,147

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities of \$1,750,995 remained outstanding as at March 31, 2015 (December 31, 2014 - \$1,776,803), which included Retail Sales Tax (“RST”) of \$431,305 payable to Ministry of Finance of Manitoba Government (“Manitoba Finance”). In 2013, Manitoba Finance conducted a RST audit in relation to the Company’s purchases and expenditures incurred and for the operations in Manitoba over the period from 2008 to 2013. The audit results found that the Company was required to pay \$515,933 RST liabilities, which including \$37,440 penalty and \$106,135 interest. 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%.

CANICKEL MINING LIMITED**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

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

8. LOANS AND ADVANCES FROM SHAREHOLDER

	March 31, 2015	December 31, 2014
Interest bearing loans (a)	\$ 52,253,812	\$ 46,419,059
Non interest bearing advances (b)	9,655,570	9,136,210
	\$ 61,909,382	\$ 55,555,269

(a) Interest bearing loans

As at March 31, 2015, 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\$5,000,000 (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. As at March 31, 2015, the outstanding balance including interest accretion and foreign exchange impact was \$9,019,496(2013 - \$8,120,773).

In October 2014, Hebei Wenfeng entered into an Assignment Agreement with a third party to acquire all its rights and interest of a debt facility which the Company obtained from the third party in 2011. The debt facility bears interest of 12% per annum but matured on July 22, 2014. The principle of the debt facility is US\$25 million. Immediately after the acquisition, Hebei Wenfeng waived the Company interest of US\$3.5 million in 2014. As at March 31, 2015, the outstanding balance of this debt facility, including interest accretion and foreign exchange impact, was \$43,234,316.

(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. As at March 31, 2015, the outstanding balance of the advances from Hebei Wenfeng, including foreign exchange impact, was \$9,655,570. Subsequent to March 31, 2015, Hebei Wenfeng further advanced \$200,000 to the Company.

The advances bear no interest and are due on demand.

9. CAPITAL LEASE OBLIGATIONS

The Company financed purchases of certain mining equipment through capital leases. As at March 31, 2015, all capital lease obligations were retired and \$nil remained outstanding (December 31, 2014 - \$6,691).

10. SITE CLOSURE AND RECLAMATION PROVISIONS

	March 31, 2015	December 31, 2014
Balance, beginning of period	\$ 2,332,470	\$ 1,906,306
Accretion	8,860	51,468
Change in estimates	-	374,696
Balance, end of period	\$ 2,341,330	\$ 2,332,470

CANICKEL MINING LIMITED
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian Dollars, except share data and otherwise stated)

11. 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, January 1, 2014	53,375	\$ 2.83
Cancelled/Forfeited	(47,125)	2.73
Outstanding, December 31, 2014	6,250	3.60
Cancelled/Forfeited	(1,250)	3.68
Outstanding, March 31, 2015	5,000	\$ 2.90

As of March 31, 2015, the following stock options were outstanding:

Number of Options	Number of Options Exercisable as at		Exercise Price	Expiry Date
	Number of Options	March 31, 2015		
1,250	1,250	\$ 2.60	January 10, 2016	
3,750	3,750	\$ 3.00	June 22, 2016	
5,000	5,000			

12. RELATED PARTY TRANSACTIONS

Related party transactions were in the normal course of operations and were 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 8 above.

The Company has identified its directors and certain senior officers as its key management personnel. The compensation cost for key management personnel for the three months ended March 31, 2015 was \$50,000 (three months ended March 31, 2014 - \$42,276).

CANICKEL MINING LIMITED
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian Dollars, except share data and otherwise stated)

13. FAIR VALUE MEASUREMENTS

The following table provides the quantitative disclosures of fair value measurement hierarchy of the Company's assets and liabilities.

	March 31, 2015			December 31, 2014		
	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	\$ 47,314	\$ -	\$ -	\$ 364,983	\$ -	\$ -
Site closure and reclamation provision	-	-	2,341,330	-	-	2,332,470
Assets and liabilities for which fair value are disclosed						
Obligations under capital leases	-	-	-	-	6,691	-

**Also see Note 14(a) for financial assets and financial liabilities for which fair value is disclosed and fair value approximate to carrying value.*

There was no asset categorized as level 2 in the fair value hierarchy, no liability categorized as level 1, and no transfer between fair value levels during the reporting period.

14. 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, trade payables, and obligation under capital lease 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.

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.

CANICKEL MINING LIMITED

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

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

The Company undertakes credit evaluations on counterparties as necessary and has monitoring processes intended to mitigate credit risks. There was no amounts in receivables which past due at March 31, 2015 (December 31, 2014 - \$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, 2015, the Company has limited funds to meet its short term financial liabilities, and the working capital, net of \$61,909,382 loans and advances from shareholder, was in a deficit position of \$1,170,690. 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, 2015, cash outflow of those obligations based on contractual undiscounted payments, are estimated and summarized as follows:

Contractual Obligations	Payment Due by Period			Total
	Less than 1 year	1 - 3 years	After 3 years	
Accounts payable and accrued liabilities	\$ 1,750,995	\$ -	\$ -	\$ 1,750,995
Loans and advances from shareholder	61,909,382	-	-	61,909,382
Total Contractual Obligations	\$ 63,660,377	\$ -	\$ -	\$ 63,660,377

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 loans and borrowings, deposits, accounts receivable, accounts payable and accrued liabilities, and derivative financial instruments.

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, 2015, the Company had \$52.2 million loans payable bearing fixed coupon rates of 10% to 12% per annum, therefore change of interest rate has no effect on the Company's comprehensive loss. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company also monitors the debt facility interest rates and balances advanced under the facilities. Currently, the Company does not hedge against interest rate risk.

CANICKEL MINING LIMITED
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian Dollars, except share data and otherwise stated)

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, 2015, the following financial assets and liabilities are denominated in US Dollars.

Expressed in Canadian dollar equivalents	March 31, 2015		December 31, 2014
Financial assets denominated in US Dollars			
Cash	\$	894	\$ 929
		894	929
Financial liabilities denominated in US Dollars			
Accounts payables and accrued liabilities		9,815	11,445
Loans payable		58,341,652	51,987,539
	\$	58,351,467	\$ 51,998,984

Based on the financial assets and liabilities denominated in US dollars as at March 31, 2015, every 1% strengthening in US dollars would increase net loss by \$583,506 (December 31, 2014 - \$519,981). 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.

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, 2015, 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.

15. 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 December 31, 2014, 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

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

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.

16. SUPPLEMENTAL CASH FLOW INFORMATION

	<u>Three months ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Net change in non-cash working capital		
Decrease in receivables and prepaid expenses	\$ 94,514	\$ 94,625
Decrease (increase) in inventory	5,122	(10,342)
Decrease in accounts payable and accrued liabilities	(63,654)	(135,754)
	\$ 35,982	\$ (51,471)

As at March 31, 2015, \$168,710 (December 31, 2014 - \$124,173) was included in accounts payable and accrued liabilities to acquire mineral properties, plant and equipment.

17. 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 located in Canada. No revenue is recorded during the period reported as the Company's only operational mine is on care and maintenance.



CaNickel Mining Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

of financial condition and results of operations

for the three months ended March 31, 2015

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, 2015 should be read in conjunction with the Company's unaudited financial statements for the three months ended March 31, 2015 and the audited financial statements for the year ended December 31, 2014 and the related notes contained therein, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and the Annual Information Form, which were prepared by management and available on SEDAR at www.sedar.com.

This MD&A is prepared as at May 12, 2015 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.

HIGHLIGHTS

- Loss for the three months ended March 31, 2015 ("Q1 2015") amounted to \$7,190,473 (Q1 2014 - \$3,624,280) which mainly includes \$804,771 care and maintenance cost at Bucko Lake Mine (Q1 2014 - \$654,414), \$6,363,906 finance costs (Q1 2014 - \$2,992,025).

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- Incurred exploration expenditures of \$121,335.

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.

Also, 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. However, although Hebei Wenfeng has been continuing funding the Company, there is no written agreement to guarantee the funding.

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 in Q1 2015 amounted to \$249,083 (Q1 2014 - \$584,225).

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

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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.

During the three months ended March 31, 2015, the Company engaged an external geological consulting firm to carry a survey program and incurred expenditures of \$121,335 at the Company's Thomson Nickel Belt properties ("TNB"). As at March 31, 2015, the carrying value of the TNB was \$20,381,642.

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 Xstrata 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

Q1 2015 vs. Q1 2014

Net loss in Q1 2015 was \$7,190,473 (Q1 2014 - \$3,624,280), which mainly comprised \$804,771 loss from mine care and maintenance (Q1 2014 - \$654,414), \$6,363,906 finance costs (Q1 2014 - \$2,992,025) partially offset by \$79,193 other income (Q1 2014 - \$106,514). The increase loss was mainly due to foreign exchange loss arising from the translation of the outstanding balance of US dollar denominated loans and advances from shareholder.

Loss from mine care and maintenance in Q1 2015 was \$804,771 (Q1 2014 - \$654,414), which were the care and maintenance costs incurred at Bucko Lake Mine. The care and maintenance cost included cash costs of \$249,083 (Q1 2014 - \$584,225) and non-cash cost, mainly the amortization expenses, of \$555,688 (Q1 2014 - \$70,189). 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 2014 were a loss of \$6,363,906 (Q1 2014 - \$2,992,025). Finance costs primarily included foreign exchange loss of \$4,882,665 (Q1 2014 - \$1,803,185), interest and bank charges of \$1,472,381 (Q1 2014 - \$1,175,973), and accretion of site closure and reclamation provisions of \$8,860 (Q1 2014 - \$12,867) The increase of foreign exchange loss was mainly due to the strengthen US dollars against Canadian dollars and significant portions of the outstanding balance of loans and advances from shareholder are denominated in US dollar. The increase of interest was mainly due to the increase in the amount and the duration of the outstanding loans and advance from shareholder(s).

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General and administration in Q1 2015 was \$5,035 (Q1 2014 - \$7,389). Since the mining operations were suspended in 2012, the Company has been diligently taking measures to minimize all administrative expenditures.

Legal and professional fees in Q1 2015 was \$5,000 (Q1 2014 - \$7,389), which mainly include legal fee and audit fees accruals.

Other income in Q1 2015 was \$79,193 (Q1 2014 - income of \$106,514), which comprised of rental income of \$79,193 from temporarily renting out part of the camp facility (Q1 2014 - \$nil \$55,694), and \$nil forgiven amount on accounts payable (Q1 2014 - \$50,820).

Salaries, consulting and management fees in Q1 2015 was \$60,000 (Q1 2014 - \$42,276), and the increase was mainly due to the change of personnel and pay rates.

Shareholder communication and investor relations in Q1 2015 was \$30,954 (Q1 2014 - \$30,727). Shareholder communication and investor relations include the expenses related to regulatory filing, stock exchange listing, annual shareholder meeting, newswire, and investor conference and shows. The Company did not attend any investor conference and shows during the periods reported.

Use of proceeds from financing

The Company did not raise any funds through equity financing and from shareholders in Q1 2015 while advanced a total of \$700,000 from a shareholder in the same period last year. All funds advanced from the related party are to run the care and maintenance program at Bucko Lake Mine to carry activities to safeguard assets, and to maintain the listing status of the Company.

QUARTERLY FINANCIAL RESULTS

	Quarters ended			
	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
Care and maintenance costs	\$ (804,771)	\$ (865,721)	\$ (935,098)	\$ (1,028,990)
Other items	(6,385,702)	(397,261)	(2,405,078)	629,059
Net loss	\$ (7,190,473)	\$ (1,262,982)	\$ (3,340,176)	\$ (399,931)
Loss per share - basis and diluted	\$ (0.19)	\$ (0.03)	\$ (0.09)	\$ (0.01)

	Quarters ended			
	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013
Care and maintenance cost	\$ (654,414)	\$ (3,185,885)	\$ (337,629)	\$ (407,659)
Other items	(2,969,866)	(5,710,657)	(88,648)	(2,288,093)
Net loss	\$ (3,624,280)	\$ (8,896,542)	\$ (426,277)	\$ (2,695,752)
Loss per share - basis and diluted	\$ (0.10)	\$ (0.24)	\$ (0.01)	\$ (0.07)

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.

The net loss for the quarter ended December 31, 2013 was mainly due to an adjustment of \$2,113,373 to depletion

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and depreciation expenses and further \$850,707 impairment charged to Bucko Lake Mine as well as \$1,718,910 foreign exchange loss arising from the strengthen of US dollars.

ANNUAL INFORMATION

	Years ended December 31		
	2014	2013	2012
Total assets	\$ 32,173,134	\$ 33,965,792	\$ 39,523,173
Total liabilities	59,671,233	52,836,522	46,052,364
Shareholders' equity	(27,498,099)	(18,870,730)	(6,529,191)
Dividend declared	-	-	-
Revenue	-	-	9,615,211
Gross margin	-	-	(4,520,625)
Care and maintenance cost	(3,484,223)	(4,555,879)	(4,642,241)
Other items	(5,143,146)	(7,785,717)	(23,904,575)
Net loss	(8,627,369)	(12,341,596)	(33,067,441)
Loss per share - basis & diluted	\$ (0.23)	\$ (0.33)	\$ (0.88)

In 2012, Bucko Lake Mine was placed on care and maintenance and a total of \$20,732,839 impairment charges were recorded against the Bucko Lake Mine.

The loss in 2013 mainly included depreciation, depletion and amortization of \$2,113,373, foreign exchange loss of \$2,825,578, interest expense and bank charge of \$4,141,664 and further impairment charge of \$850,070.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2015, the Company had cash of \$47,314, decreased by \$317,669 compared to cash balance of \$364,983 as at December 31, 2014. The decrease of cash on hand was mainly because the Company has no operations to generate cash and did not raised any funds to run the care and maintenance program and the proceeds on disposal of its mineral property, plant and equipment.

Cash used in operating activities in Q1 2015 was \$214,179 compared to a total of \$307,646 cash used in Q1 2014. Before net change in non-cash working capital, cash used in operation was \$250,161 (Q1 2014 - \$256,175). Less cash used in operating activities was mainly because the Company was able to reduce the propane costs and manpower to run the care and maintenance program at Bucko Lake Mine.

Cash used financing activities in Q1 2015 was \$6,691 (Q1 2014 – \$554,589 from financial activities). In Q1 2015, the Company repaid \$6,691 (Q1 2014 - \$145,411) to capital lease obligations but did not advanced any funds from related parties while a total of \$700,000 was advanced from a related party in Q1 2014.

Cash from investing activities in Q1 2015 was \$96,799 (Q1 2014 - \$93,986), which was mainly for the exploration expenditures incurred at TNB offset by \$nil released from restricted cash (Q1 2014 - \$5,803).

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Working capital as at March 31, 2015 was a deficit of \$63,086,763 compared to the negative working capital of \$56,341,153 as at December 31, 2014. The increase of working capital deficiency was primarily because 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.

Shareholder's equity as at March 31, 2015 was negative \$34,688,572 (December 31, 2014 - negative of \$27,498,099) and the decrease was mainly due to the additional loss of \$7,190,473 was recorded in the current period.

The estimated cash outflow based on the Company's contractual obligations as at March 31, 2015 was amounted to \$63,667,068 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 2014, the Company advanced \$1,250,000 from Hebei Wenfeng, and Hebei Wenfeng also waived the Company a total of US\$3,500,000 interest expenses. Although Hebei Wenfeng has indicated that they would continue to support the Company and would not recall any repayment in the near future, there is no written confirmation about such arrangement. Therefore, whether Hebei Wenfeng will continue to inject funds to support the care and maintenance program at Bucko Lake and when Hebei Wenfeng will demand repayment to the loans payable are uncertain.

Such uncertainties cast significant doubt upon the Company's ability to continue as a going concern. 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.

Subsequent to March 31, 2015, Hebei Wenfeng further advanced \$200,000 to the Company.

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.

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, trade payables, and obligation under capital lease 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

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be made.

The quantitative disclosures on financial instruments measured at fair value on a recurring basis, non-financial assets and liabilities measured at fair value, assets and liabilities with fair value disclosed are as follows:

	March 31, 2015			December 31, 2014		
	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	\$ 47,314	\$ -	\$ -	\$ 364,983	\$ -	\$ -
Site closure and reclamation provision	-	-	2,341,330	-	-	2,332,470
Assets and liabilities for which fair value are disclosed						
Obligations under capital leases	-	-	-	-	6,691	-

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 audited financial statements for the year ended December 31, 2014 and the related notes.

The following describes the types of risks that the Company is exposed to and its objectives and policies for managing those risk exposures.

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 meet 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 was no amounts in receivables which past due at March 31, 2015 (December 31, 2014 - \$nil) for which 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, 2015, the Company has limited funds to meet its short term financial liabilities, and the working capital, net of \$61,909,382 loans and advances from shareholder, was in a deficit position of \$1,170,690. Accordingly, additional financing is required for the Company to continue as a going concern.

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Based on the contractual obligations of the Company as at March 31, 2015, 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	\$ 1,750,995	\$ -	\$ -	\$ 1,750,995
Loans and advances from shareholder	61,909,382	-	-	61,909,382
Total Contractual Obligations	\$ 63,660,377	\$ -	\$ -	\$ 63,660,377

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 loans and borrowings, deposits, accounts receivable, accounts payable and accrued liabilities, and derivative financial instruments.

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, 2015, the Company had \$52.2 million loans payable bearing fixed coupon rates of 10% to 12% per annum, therefore change of interest rate has no effect on the Company's comprehensive loss. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company also monitors the debt facility interest rates and balances advanced under the facilities. 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, 2015, the following financial assets and liabilities are denominated in US Dollars.

Expressed in Canadian dollar equivalents	March 31, 2015		December 31, 2014
Financial assets denominated in US Dollars			
Cash	\$	894	\$ 929
		894	929
Financial liabilities denominated in US Dollars			
Accounts payables and accrued liabilities		9,815	11,445
Loans payable		58,341,652	51,987,539
	\$	58,351,467	\$ 51,998,984

Based on the financial assets and liabilities denominated in US dollars as at March 31, 2015, every 1% strengthening in US dollars would increase net loss by \$583,506 (December 31, 2014 - \$519,981). 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

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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, 2015, 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.

d) 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 Environment 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 in the normal course of operations and 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 for the three months ended March 31, 2015 was \$50,000 (three

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months ended March 31, 2014 - \$42,276).

(b) Transactions with Hebei Wenfeng

	March 31, 2015	December 31, 2014
Interest bearing loans (a)	\$ 52,253,812	\$ 46,419,059
Non interest bearing advances (b)	9,655,570	9,136,210
	\$ 61,909,382	\$ 55,555,269

(i) Interest bearing loans

As at March 31, 2015, 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\$5,000,000 (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. As at March 31, 2015, the outstanding balance, including interest accretion and foreign exchange impact, was \$9,019,496(2013 - \$8,120,773).

In October 2014, Hebei Wenfeng entered into an Assignment Agreement with a third party to acquire all its rights and interest of a debt facility which the Company obtained from the third party in 2011. The debt facility bears interest of 12% per annum but matured on July 22, 2014. The principle of the debt facility is US\$25 million. Immediately after the acquisition, Hebei Wenfeng waived the Company interest of US\$3.5 million in 2014. As at March 31, 2015, the outstanding balance of this debt facility, including interest accretion and foreign exchange impact, was \$43,234,316.

(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. As at March 31, 2015, the outstanding balance of the advances from Hebei Wenfeng, including foreign exchange impact, was \$9,655,570. Subsequent to March 31, 2015, Hebei Wenfeng further advanced \$200,000 to the Company.

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, 2014

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.

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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, 2014.

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, 2014.

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 December 31, 2014, 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 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 37,520,668 common shares of the Company were issued and outstanding. Of the options to purchase common shares issued to directors, officers, employees, and consultants of the Company under the share option plan, 5,000 remain outstanding with exercise prices ranging from \$2.60 to \$3.00, with expiry dates ranging from January 10, 2016 to June 22, 2016.

OFF BALANCE SHEET ITEMS

There are no off balance sheet items.

PROPOSED TRANSACTIONS

There are no proposed assets or business acquisition or disposition.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management's Report on Disclosure Controls and Procedures

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported, within the appropriate time periods and is accumulated and communicated to management, including Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of Chief Executive Officer and Chief Financial Officer, the Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, the transactions and dispositions of assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS and that the Company's receipts and expenditures are made only in accordance with authorizations of management and the Company's Directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

The Company's management team, including the Chief Executive Officer and Chief Financial Officer, reviewed and evaluated the internal control procedures in place and determined that there has been no changes in the Company's internal control over financial reporting during the three months ended March 31, 2015 that have materially affected or are reasonably likely to materially affect, the Company's internal control over financial reporting. Management has concluded that the Company's internal control over financial reporting was effective as March 31, 2015 to provide a reasonable assurance of the reliability of our financial reporting and preparation of the financial statements.

Limitations of Controls and Procedures

The Company's management, including Chief Executive Officer and Chief Financial Officer, believes that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized

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override of the control. The design of any control system also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

OTHER INFORMATION

Additional information regarding the Company is included in the Company's Annual Information Form ("AIF"), which is available at www.sedar.com.

END OF THIS REPORT
