



# CaNickel Mining Limited

[www.canickel.com](http://www.canickel.com)

## CONDENSED INTERIM FINANCIAL STATEMENTS

*September 30, 2023*

*(Unaudited)*

**NOTES TO READER**

These unaudited condensed interim financial statements of CaNickel Mining Limited (the “Company”), for the three and nine months ended September 30, 2023, have been prepared by management of the Company and have not been reviewed by the Company’s independent auditors. Therefore, they should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2022, which are available on the SEDAR+ website at [www.sedarplus.ca](http://www.sedarplus.ca).

**Condensed Interim Statements of Financial Position**  
**( Unaudited - Expressed in Canadian Dollars)**

As at	Notes	September 30, 2023	December 31, 2022
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 448,806	\$ 55,361
Receivables and prepaid expenses	5	33,620	28,322
		482,426	83,683
<b>Non-Current</b>			
Mineral properties, plant and equipment	4	4,315,266	5,117,232
Investment in associate	6	-	349,206
Other non-current assets	8	2,537,374	2,537,374
		\$ 7,335,066	\$ 8,087,495
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	12	\$ 3,927,319	\$ 358,375
Loans from a related party	10	-	2,810,462
Loans and advances from a shareholder	7	103,166,919	94,352,221
		107,094,238	97,521,058
<b>Non-Current</b>			
Site closure and reclamation provisions	8	9,042,078	8,825,564
		116,136,316	106,346,622
<b>SHAREHOLDERS' DEFICIENCY</b>			
Share capital	9	186,952,654	186,952,654
Contributed surplus		32,873,345	32,873,345
Accumulated deficit		(328,627,249)	(318,085,126)
		(108,801,250)	(98,259,127)
		\$ 7,335,066	\$ 8,087,495

**APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:**

“Wenfeng Liu”, Director

“Kevin Zhu”, Director

**Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)****( Unaudited - Expressed in Canadian Dollars, except share data)**

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
Revenue		\$ -	\$ -	\$ -	\$ -
Care and maintenance costs	4	(181,979)	(162,466)	(547,939)	(476,956)
Amortization and depreciation		(267,322)	(240,356)	(801,966)	(721,066)
<b>Loss from mine operations</b>		<b>(449,301)</b>	<b>(402,822)</b>	<b>(1,349,905)</b>	<b>(1,198,022)</b>
Finance costs	3,7	(5,039,915)	(8,362,388)	(8,400,862)	(14,965,359)
General and administration		(9,315)	(4,948)	(18,446)	(13,431)
Exploration and evaluation expenses	4	-	-	(32,380)	(23,723)
Legal and professional fees		(52,475)	(867)	(110,535)	(55,574)
Salaries, consulting and management fees	10	(108,500)	(55,000)	(318,569)	(170,081)
Share of profit/(loss) in associate	6	63,299	12,274,363	(285,907)	11,864,325
Shareholder communications and investor relations		(3,112)	(3,276)	(25,519)	(33,562)
<b>Net loss and comprehensive loss for the period</b>		<b>(5,599,319)</b>	<b>3,445,062</b>	<b>(10,542,123)</b>	<b>(4,595,427)</b>
Loss per share - basic & diluted		\$ (0.15)	\$ 0.09	\$ (0.28)	\$ (0.12)
Weighted average number of shares - basic & diluted		<b>37,520,369</b>	<b>37,520,369</b>	<b>37,520,369</b>	<b>37,520,369</b>

## Condensed Interim Statements of Changes in Shareholders' Deficiency

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

	Common Shares		Contributed Surplus	Accumulated Deficit	Total Deficiency
	Number of shares issued	Amount			
As at January 1, 2022	37,520,369	\$ 186,952,654	\$ 32,873,345	\$ (308,644,005)	\$ (88,818,006)
Loss for the period	-	-	-	(1,742,481)	(1,742,481)
As at March 31, 2022	37,520,369	186,952,654	32,873,345	(310,386,486)	(90,560,487)
Loss for the period	-	-	-	(7,698,640)	(7,698,640)
As at December 31, 2022	37,520,369	186,952,654	32,873,345	(318,085,126)	(98,259,127)
Loss for the period	-	-	-	<b>(10,542,123)</b>	(10,542,123)
<b>As at September 30, 2023</b>	<b>37,520,369</b>	<b>\$ 186,952,654</b>	<b>\$ 32,873,345</b>	<b>\$ (328,627,249)</b>	<b>\$ (108,801,250)</b>

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

## Condensed Interim Statements of Cash Flows

( Unaudited - Expressed in Canadian Dollars)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
<b>OPERATING ACTIVITIES:</b>					
Net loss for the year		\$ (5,599,319)	\$ 3,445,062	\$ (10,542,123)	\$ (4,595,427)
Items not affecting cash:					
Accretion of site closure and reclamation provisions	3,8	72,964	15,899	216,514	47,160
Depreciation and amortization		267,322	240,356	801,966	721,066
Unrealized foreign exchange expense (gain)	3,7	2,017,825	5,488,137	(122,963)	6,980,503
Interest expenses accrued	3,7,1	2,949,257	2,858,762	8,307,299	7,938,210
Exploration and evaluation expenses	4	-	-	32,380	23,723
Share of loss in associate	6	(63,299)	(12,274,363)	285,907	(11,864,325)
Net change in non-cash working capital	13	(21,149)	(98,610)	(123,055)	(123,500)
		(376,399)	(324,757)	(1,144,075)	(872,590)
<b>FINANCING ACTIVITIES:</b>					
Advance from a shareholder	7	(141,132)	260,000	678,768	960,000
Loan from related party	10	(2,858,868)		(2,858,868)	-
Repayment to a shareholder		-	(12,500,000)	-	(12,500,000)
		(3,000,000)	(12,240,000)	(2,180,100)	(11,540,000)
<b>INVESTING ACTIVITIES:</b>					
Mineral properties, plant, and equipment	4	-	-	(32,380)	(23,723)
Distribution from associate	6	3,750,000	12,500,000	3,750,000	12,500,000
		3,750,000	12,500,000	3,717,620	12,476,277
<b>CHANGE IN CASH</b>		<b>373,601</b>	<b>(64,757)</b>	<b>393,445</b>	<b>63,687</b>
<b>CASH, beginning of period</b>		<b>75,205</b>	<b>271,569</b>	<b>55,361</b>	<b>143,125</b>
<b>CASH, end of period</b>		<b>\$ 448,806</b>	<b>\$ 206,812</b>	<b>\$ 448,806</b>	<b>\$ 206,812</b>
<b>SUPPLEMENTAL INFORMATION</b>					
Interest paid		\$ -	\$ -	\$ -	\$ -
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)

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**1. CORPORATE INFORMATION**

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

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

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

**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, 2022.

The Company’s interim results are not necessarily indicative of its results for a full year.

These condensed interim financial statements were authorized for issue in accordance with a resolution of the Board of Directors on Nov 27, 2023.

**b) Basis of Measurement**

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, 2022.

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 and negative working capital, 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 the 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.

The Company is currently relying on the support and funding from the Company’s largest beneficiary shareholder and creditor, Hebei Wenfeng Industrial Company Limited (“Hebei Wenfeng”). As at September 30, 2023, the Company has \$448,806 cash on hand, which is not sufficient to fund the Company’s operational needs for the next 12 months, and needs continued support from Hebei Wenfeng. During the nine months ended September 30, 2023, Hebei Wenfeng advanced \$678,768 to the Company. However, there is no assurance that Hebei Wenfeng will continue to support the Company without any limit. In the event that

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the Company is not able to secure additional financing and continue as a going concern, material adjustments could be required to the carrying value of assets and liabilities and the statements of financial position classification used.

**3. FINANCE COSTS**

Finance costs comprise the following:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Accretion for site closure and reclamation provision	\$ 72,964	\$ 15,899	\$ 216,514	\$ 47,160
Foreign exchange loss (gain)	7 2,017,694	5,487,727	(122,952)	6,979,989
Interest expense	7 2,949,257	2,858,762	8,307,300	7,938,210
	\$ 5,039,915	\$ 8,362,388	\$ 8,400,862	\$ 14,965,359

**4. MINERAL PROPERTIES, PLANT AND EQUIPMENT**

	Bucko Lake Mine			
	Exploration and evaluation expenditure	Mineral property acquisition and development	Plant, building and equipment	Total
Cost				
As at December 31, 2021	\$ 23,587,522	\$ 96,783,028	\$ 76,732,393	\$ 197,102,943
Additions	-	-	-	-
Adjustments to reclamation provision	-	2,473,961	1,078,647	3,552,608
As at December 31, 2022	23,587,522	99,256,989	77,811,040	200,655,551
Additions	-	-	-	-
Adjustments to reclamation provision	-	-	-	-
<b>As at September 30, 2023</b>	<b>\$ 23,587,522</b>	<b>\$ 99,256,989</b>	<b>\$ 77,811,040</b>	<b>\$ 200,655,551</b>

	Exploration and evaluation expenditure	Mineral property acquisition and development	Plant, building and equipment	Total
Accumulated depreciation, depletion, amortization, and impairment				
As at December 31, 2021	\$ 23,587,522	\$ 96,783,028	\$ 71,732,393	\$ 192,102,943
Depreciation, depletion and amortization	-	-	961,415	961,415
Impairment	-	2,473,961	-	2,473,961
As at December 31, 2022	23,587,522	99,256,989	72,693,808	195,538,319
Depreciation, depletion and amortization	-	-	801,966	801,966
Impairment	-	-	-	-
<b>As at September 30, 2023</b>	<b>\$ 23,587,522</b>	<b>\$ 99,256,989</b>	<b>\$ 73,495,774</b>	<b>\$ 196,340,285</b>

Net book value	Exploration and evaluation expenditure	Mineral property acquisition and development	Plant, building and equipment	Total
As at December 31, 2022	\$ -	\$ -	\$ 5,117,232	\$ 5,117,232
<b>As at September 30, 2023</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,315,266</b>	<b>\$ 4,315,266</b>

The Bucko Lake Mine was placed on care and maintenance since July 2012.

In 2018, the Company entered into a Mineral Processing Facilities Lease Agreement (“Lease Agreement”), subsequently amended, with a third party (the “Lessee”), which grants a right to the Lessee to use the milling facility of the Bucko Lake Mine to process up to 2.1 million tonnes of ore within seven years from the commencement date of the lease. The commencement of the lease was subject to certain payments prior to the commencement date and the waiver of feasibility/financing conditions



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by the Lessee. The termination of the Lease Agreement in July 2021 created an indicator of impairment for the Company's property, plant and equipment. Management engaged an independent equipment specialist to assess the recoverable value of the plant, building and equipment used at the Bucko Lake Mine, using a fair value less costs to sell model ("FVLCD"), and then determined that the carrying value of the Company's property, plant and equipment exceeds its recoverable value. The recoverable value assessment is considered a level 3 fair value assessment.

During the three and nine months ended September 30, 2023, the Company incurred care and maintenance costs of \$190,979 and \$556,939 at Bucko Lake Mine, respectively (same prior year period - \$162,466 and \$476,956).

During the three and nine months ended September 30, 2023, the Company incurred expenditures of \$nil and \$32,380 at the TNB properties, respectively (same prior year period - \$nil and \$23,723).

**5. RECEIVABLES AND PREPAID EXPENSES**

Receivables and prepaid expenses comprise the following:

	<b>September 30, 2023</b>	December 31, 2022
Taxes receivable	\$ 18,341	\$ 10,908
Prepaid	15,279	9,934
	<b>\$ 33,620</b>	<b>\$ 20,842</b>

**6. INVESTMENT IN ASSOCIATE**

The Company owns 10 million Class A Preferred Units and 50% General Units of the Welichem Partnership. Welichem contributed its assets with estimated fair value of \$64.3 million to the Welichem Partnership for 10 million Class B Preferred Units and 50% General Units. The Company uses the equity method to account for its investment in the Welichem Partnership.

During the three and nine months ended September 30, 2023, the Company recorded share of loss of \$201,560 and \$285,907, respectively, arising from the equity pickup in the Welichem Partnership (same prior year periods – share of income of \$12,274,363 and \$11,864,325). A summary of the investment account is as follows:

As at	<b>September 30, 2023</b>	December 31, 2022
Investment amount	\$ 10,000,000	\$ 10,000,000
Accumulated share of income	44,785,261	45,071,168
Distribution received	(58,471,962)	(54,721,962)
Reclassification of over distribution to accounts payable	3,686,701	-
<b>Total</b>	<b>\$ -</b>	<b>\$ 349,206</b>

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

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

**7. LOANS AND ADVANCES FROM A SHAREHOLDER**

	Interest bearing loans	Non interest bearing advances	Total
As at December 31, 2021	\$ 87,242,630	\$ 2,000,000	\$ 89,242,630
Interest accrued	10,565,570	-	10,565,570
Additions	-	1,140,000	1,140,000
Repayments	(12,500,000)	-	(12,500,000)
Foreign exchange	5,904,021	-	5,904,021
As at December 31, 2022	91,212,221	3,140,000	94,352,221
Interest accrued	8,258,893	-	8,258,893
Additions	-	678,768	678,768
Foreign exchange	(122,963)	-	(122,963)
<b>As at September 30, 2023</b>	<b>\$ 99,348,151</b>	<b>\$ 3,818,768</b>	<b>\$ 103,166,919</b>

Loans and advances are unsecured, due on demand and payable to Hebei Wenfeng.

**(a) Interest-bearing loans**

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

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

As at September 30, 2023, the total outstanding balance of interest-bearing loans from Hebei Wenfeng, including interest accretion and foreign exchange impact, was \$99,348,151 or US\$73,482,360 (December 31, 2022 - \$91,212,221 or US\$67,345,113).

For the three and nine months ended September 30, 2023, a total of \$2,942,179 and \$8,258,893 interest expenses (same prior year periods -\$2,858,762 and \$7,938,210) and loss of \$2,017,825 and \$122,963 foreign exchange gain (same prior year periods - loss of \$5,487,727 and \$6,979,989), respectively, were recorded arising from the US-dollar-denominated interest-bearing loans.

**(b) Non-interest bearing advances**

Due to the financial condition of the Company, Hebei Wenfeng advanced funds, from time to time, to the Company to support the Company's operation. During the nine months ended September 30, 2023, the Company was advanced \$678,768 from Hebei Wenfeng. As at September 30, 2023, the outstanding balance of advances from Hebei Wenfeng, including foreign exchange impact, was \$3,818,768 (December 31, 2022 - \$3,140,000). The advances bear no interest and are due on demand.

## CANICKEL MINING LIMITED

### NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

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

#### 8. SITE CLOSURE AND RECLAMATION PROVISIONS

	September 30, 2023	December 31, 2022
Balance, beginning of year	\$ 8,825,564	\$ 5,209,906
Accretion	216,514	63,050
Change in estimates	-	3,552,608
<b>Balance, end of period</b>	<b>\$ 9,042,078</b>	<b>\$ 8,825,564</b>

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

In March 2021, the Company paid \$2 million to the Government of Manitoba as a reclamation deposit for the Company's Bucko Lake Mine. As at September 30, 2023, a total of \$2,537,374 in reclamation deposits were paid in accordance with the requirements of the Government of Manitoba. These funds are not available to finance the Company's day-to-day operations and are recorded as non-current assets on the statements of financial positions.

#### 9. SHARE CAPITAL

##### (a) Authorized

Unlimited common shares without par value.

Unlimited Class A and Class B preferred shares without par value.

No Class A and Class B preferred shares are issued and outstanding.

No common shares were reserved during the periods reported.

No shares were issued during the periods reported.

##### (b) Stock Options

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

No options were granted during the period reported and no options remained outstanding as at September 30, 2023 and December 31, 2022.

#### 10. RELATED PARTY TRANSACTIONS

Related party transactions are measured at fair value. Related party transactions with Hebei Wenfeng, the largest shareholder of the Company, are disclosed in note 7 above.

##### (a) Loan from a related party

In 2022, the Company signed a loan agreement in the amount of \$2,778,039 from LJ Resources Co. Ltd., the other partner of the Welichem Partnership. The loan bears interest of 3% per annum, compounded annually on the last day of each year. On July 31, 2023, the Company repaid the outstanding balance of the loan.

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(b) Transactions with key management

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Salaries and fees	\$ 104,831	\$ 53,500	\$ 318,000	\$ 165,500
	\$ 104,831	\$ 53,500	\$ 318,000	\$ 165,500

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

Fair value of loans and advances 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 a recurring basis.

	September 30, 2023			December 31, 2022		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Financial assets and liabilities measured at fair value</b>						
Cash	\$ 448,806	\$ -	\$ -	\$ 55,361	\$ -	\$ -

(b) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk primarily associated with 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 September 30, 2023 (December 31, 2022 - \$nil) for which no provision is recognized.

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(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 September 30, 2023, the Company has limited funds to meet its short-term financial liabilities, and the working capital, net of \$103,166,919 loans and advances from shareholder and \$3,686,701 of over distribution reclassified to accounts payable, was in a deficit position of \$241,808. Accordingly, additional financing is required for the Company to continue as a going concern.

Based on the contractual obligations of the Company as at September 30, 2023, 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	\$ 3,927,319	\$ -	\$ -	\$ -	\$ 3,927,319
Loans and advances from a shareholder	103,166,919	-	-	-	103,166,919
<b>Total Contractual Obligations</b>	<b>\$ 107,094,238</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 107,094,238</b>

(d) Market Risk

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

(e) 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 September 30, 2023, the Company had \$99.4 million in loans payable to Hebei Wenfeng, bearing fixed coupon rates of 12% per annum. Due to the financial condition of the Company and the nature of the loans, which are 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.

(f) 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 September 30, 2023, the following financial assets and liabilities are denominated in US dollars:

Expressed in Canadian dollar equivalents	September 30, 2023		December 31, 2022
<b>Financial assets denominated in US Dollars</b>			
Cash	\$ 6,316	\$ -	6,735
		<b>6,316</b>	<b>6,735</b>
<b>Financial liabilities denominated in US Dollars</b>			
Loans and advances from a shareholder		<b>99,348,151</b>	91,212,221
	\$	<b>99,348,151</b>	\$ 91,212,221
<b>Net Liabilities</b>	\$	<b>99,341,835</b>	\$ 91,205,486

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Based on the financial assets and liabilities denominated in US dollars as at September 30, 2023, every 5% strengthening in US dollars would increase net loss by approximately \$5 million (December 31, 2022 - \$4.6 million). The Company currently has not entered into any agreement to hedge the foreign exchange risk.

(g) 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, monetary systems and political developments.

In July 2012, the Company suspended its mining operations at the Bucko Lake Mine due to unfavourable nickel prices. The timing to resume mining operations would mainly depend on the nickel prices. As at September 30, 2023, the Company has no nickel sales receivable, forward sales contracts or call options outstanding. Changing commodity prices would not have any significant impact on the financial position of the Company. However, changes in the nickel price would have a significant impact on the estimation of the fair value of the Company's mineral properties.

**12. CONTINGENCIES AND LEGAL MATERS**

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

~~Since mining operations were 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.~~

~~In January 2014, the Company received a statement of claim for \$377,086 from the same contractor who placed a lien against the 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 the Company's filing of the defence and counter claim. No provision has been provided for this claim.~~

**13. SUPPLEMENTAL CASH FLOW INFORMATION**

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net change in non-cash working capital				
Decrease in receivables and prepaid expenses	\$ 5,359	\$ 6,232	\$ (5,298)	\$ 4,890
Decrease in accounts payable and accrued liabilities	(26,508)	(104,842)	(117,757)	(128,390)
	\$ (21,149)	\$ (98,610)	\$ (123,055)	\$ (123,500)

**14. SEGMENTED INFORMATION**

The Company currently operates in a single reportable segment and is focused on nickel mining and related activities. All of the Company's assets are located in Canada.

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

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

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The 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.

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