CaNickel Mining Limited

www.canickel.com

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS
of financial condition and results of operations
for the year ended December 31, 2024

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 year ended December 31, 2024, should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2024, and the related notes contained therein, which have been prepared in accordance with IFRS Accounting Standards ("IFRS") and available on SEDAR+ at www.sedarplus.ca.

This MD&A is prepared as at April 25, 2025, 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. Any statements or information that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategies", "targets", "goals", "forecasts", "objectives", "budgets", "schedules", "potential" or variations thereof or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements or information. Forward-looking statements or information are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those reflected in the forward-looking statements or information, including, without limitation, risks relating to fluctuating commodity prices, fluctuating currency exchange rates, permits and licenses, operations conditions, environmental risks, cyber security, and general economic conditions.

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements or information. Forward-looking statements or information are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those expressed or implied in the forward-looking statements or information. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated, described or intended. Accordingly, readers should not place undue reliance on forward-looking statements or information.

The Company's forward-looking statements and information are necessarily based on a number of estimates, assumptions, beliefs, expectations and opinions of management as of the date of this MD&A that, while considered reasonable by management of the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. These estimates, assumptions, beliefs, expectations and options include, but are not limited to, those related to the Company's ability to carry on current and future operations, including: development and exploration activities; the timing, extent, duration and economic viability of such operations; the accuracy and reliability of estimates, projections, forecasts, studies and assessments; the Company's ability to meet or achieve estimates, projections and forecasts; the availability and cost of inputs; the price and market for outputs; foreign exchange rates; taxation levels; the timely receipt of necessary approvals or permits; the ability to meet current and future obligations; the ability to obtain timely financing on reasonable terms when required; the current and future social, economic and political conditions; and other assumptions and factors generally associated with the mining industry.

Other than as required by applicable securities laws, the Company does not assume any obligation to update forward-looking statements and information if circumstances or management's assumptions, beliefs, expectations or opinions should change, or changes in any other events affecting such statements or information. For the reasons set forth above, investors should not place undue reliance on forward-looking statements and information.

DESCRIPTION OF BUSINESS

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

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

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

In December 2023, the Company signed an option agreement with Blackstone Minerals Limited ("Blackstone Minerals", a public listed company in Australia) and its subsidiary, Cobalt One Energy Corporation ("Cobalt One"), pursuant to which Cobalt One was granted the exclusive right and option for a 12-month period (the "Option") to purchase CaNickel's Bucko Lake Mine. The Option was extended for 30 days in December 2024 and subsequently terminated in January 2025 (note 6).

Going concern

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

The recoverability of the carrying amount of mineral properties, plant and equipment and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying amounts.

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

The Company has an accumulated deficit of $323,964,227 and a working capital deficiency of $124,972,902 as at December 31, 2024. The Company is currently relying on the support of, and funding from, the Company's largest shareholder and creditor, Hebei Wenfeng Industrial Company Limited ("Hebei Wenfeng"). As at December 31, 2024, the outstanding balance the Company owed to Hebei Wenfeng is $124,351,117. The Company has $398,488 cash on hand, which is not sufficient to fund the Company's operational needs for the next twelve months and needs continued support from Hebei Wenfeng. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. In the event that Hebei Wenfeng discontinues its support and demands the repayment of its loans and advances, the Company would not be able to continue as a going concern and material adjustments may be required to be made to the carrying amount of assets and liabilities and the statements of financial position classification used.

Due to the Company's strained financial position, the Company has been evaluating alternative strategies to advance the Bucko Lake Mine. As a result of these efforts, the Company signed an option agreement with Blackstone Minerals Limited and its subsidiary, Cobalt One Energy Corporation, in December 2023, pursuant to which Cobalt One was granted the exclusive right and option for a 12-month period to purchase CaNickel's Bucko Lake Mine. The option was extended for 30 days in December 2024 and subsequently terminated in January 2025.

OPERATION REVIEW

Since the Bucko Lake Mine was placed into care and maintenance in 2012, the Company has been focused on safeguarding assets and ensuring environmental compliance while evaluating its options for resuming operations and other corporate strategies.

Excluding the non-cash costs, the costs to run the care and maintenance program were $218,723 and $589,660 in 2024 and 2023, respectively. The decrease is mainly due to a significant amount of site cleaning work that was carried out in 2023 which was not repeated in 2024, more cost-effective site management work carried out by the on-site manager in 2024, as well as lower environmental costs at the Bucko Lake Mine.

In December 2023, the Company signed an Option Agreement with Cobalt One Energy Corporation ("Cobalt One") and Blackstone Minerals Limited ("Blackstone Minerals") pursuant to which Cobalt One has been granted the exclusive right and option for a 12-month period (the "Option") to purchase CaNickel's 100% owned Bucko Lake Mine Project (the "Project") for total consideration of up to C$80 million. The option was extended for 30 days in December 2024 and subsequently terminated in January 2025.

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 million pounds of nickel, Glencore has the right to purchase a 50% interest in the property and to become the operator of the new deposit in consideration for a payment to the Company of an amount equal to the aggregate of all direct expenditures that were incurred by the Company in carrying out mining operations on the Bucko Lake mining lease outside of the Bucko resource block prior to the date of exercise of the back-in right. Accordingly, the potential benefit to the Company of any discovery of a significantly increased deposit will be limited to a 50% interest in the project.

EXPLORATION

a) Exploration and evaluation expenditures

Thompson Nickel Belt ("TNB")

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

In 2024, the Company incurred expenditures of $32,608 at TNB properties (2023 - $35,685).

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

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

(b) Bucko Lake Mine

The Bucko Lake Mine, located near the town of Wabowden, Manitoba, first declared commercial production in 2009, but has been placed on care and maintenance due to unfavourable nickel prices since July 2012. In 2024, the Company incurred a total of $218,723 in care and maintenance costs at the Bucko Lake Mine (2023 - $589,660).

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

In 2018, the Company entered into a Mineral Processing Facilities Lease Agreement (“Lease Agreement”), subsequently amended, with a third party (the “Lessee”), which granted a right to the Lessee to use the milling facility of the Bucko Lake Mine to process up to 2.1 million tonnes of ore within seven years from the commencement date of the lease. The commencement of the lease was subject to certain payments prior to the commencement date and the waiver of feasibility/financing conditions by the Lessee. The Lease Agreement was terminated in July 2021, and the termination of the Lease Agreement created an indicator of impairment for the Company’s property, plant and equipment. Management engaged an independent equipment specialist to assess the recoverable amount of the plant, building and equipment used at the Bucko Lake Mine, using a FVLCD model, which resulted in a further impairment of the plant, building and equipment at the Bucko Lake Mine. The recoverable amount assessment is considered a Level 3 fair value assessment. Management reassessed the indicators of impairment of the plant, building and equipment at December 31, 2024, and determined there were no further indicators of impairment.

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

(c) Transaction with Cobalt One

In December 2023, the Company signed an option agreement with Blackstone Minerals and its subsidiary, Cobalt One, pursuant to which Cobalt One was granted the exclusive right and option for a 12-month period (the "Option") to purchase the Bucko Lake Mine, including all mineral titles, permits, licences, plant, building and equipment related to the mine. As consideration for the Option, the Company was paid a non-refundable option fee of $1,167,337 by Cobalt One. Upon exercise of the option, the Company and Cobalt One would enter into an asset purchase agreement whereby Cobalt One would be required to pay further cash proceeds of up to $69 million and shares of Blackstone valued at $10 million over a period of time. The Company has recorded the amount received of $1,116,338 as a deposit. In December 2024, the Company received a payment of $100,000 from Cobalt One to extend the option agreement for 30 days. In January 2025, Cobalt One was unable to exercise the Option for the Bucko Lake Mine or pay further extension payments for the Option, resulting the expiry of the option agreement and the non-refundable deposit was taken into other income.

INVESTMENT IN ASSOCIATE

The Company owns 10 million Class A Preferred Units and 50 General Units of the Welichem Partnership. LJ Resources amalgamated with Welichem Biotech Inc., a Burnaby, British Columbia research business, in 2023. LJ Resources owns 10 million Class B Preferred Units and 50 General Units of the Welichem Partnership.

The Company has a 50% ownership interest in the Welichem Partnership. Although the Company is jointly liable for any and all liabilities, claims, or commitments made by the Welichem Partnership, the Company does not have joint control, as all decisions about the relevant activities of the Welichem Partnership is held by LJ Resources. Accordingly, the Company has determined that it has significant influence and has applied the equity method to account for the Welichem Partnership.

As at December 31, 2024, the Welichem Partnership has minimal activity aside from awaiting receipt of contingent milestone payments from the previous sale of its research and excess mining equipment. As such, the Welichem Partnership had $nil commitments (2023 - $nil).

In 2024, the Company recorded income of $25,821,001 (2023 – income of $3,400,794) arising from its pro-rata share of income earned by Welichem Partnership. In 2024, the Company received a distribution from the Welichem Partnership in the amount of $2,030,000 (2022 - $3,750,000). A summary of the investment in associate is as follows:

As at		December 31, 2024		December 31, 2023
Investment amount	$	**10,000,000**	$	10,000,000
Accumulated distribution received		**74,292,963**		48,471,962
Distribution received		**(60,501,962)**		(58,471,962)
Total	$	**23,791,001**	$	-

Summarized financial information of the Welichem Partnership is as follows:

As at or for the year ended		December 31, 2024		December 31, 2023
Current assets	$	**54,038,467**	$	137,046
Non current assets		**-**		6,419,060
Current liabilities		**(2,500)**		(1,382,140)
Net income/Loss		**51,642,002**		4,564,262

RESULTS OF OPERATIONS

Year ended December 31, 2024 ("2024") vs. Year ended December 31, 2023 ("2023")

Net income/loss in 2024 was $1,933,932 compared to loss of $7,813,033 in 2023. The Company's financial results in 2024 were mainly impacted by the increase in the income of an associate and increased finance costs.

Care and maintenance costs in 2024 were $218,723, down $370,937 compared to $589,660 in 2023. The decrease is mainly due to a significant amount of site cleaning work that was carried out in 2023 which was not repeated in 2024, more cost-effective site management work carried out by the on-site manager in 2024, as well as lower environmental costs at the Bucko Lake Mine.

Amortization and depreciation in 2024 were $1,053,532, up $15,750 compared to $1,069,282 in 2023. The Company did not acquire any property, plant and equipment in 2024, and the decrease was mainly due to a shorter amortization period for certain assets.

Loss from mine operations in 2024 was $1,272,255, down $386,687 compared to $1,658,942 in 2023.

Finance costs in 2024 were $22,747,245, up $13,553,918 compared to $9,193,327 in 2023. Finance costs primarily included interest expenses of $13,038,679 (2023 - $11,241,037), foreign exchange loss of $9,449,147 (2023 – gain of $2,367,130), and accretion for site closure and reclamation provision of $259,419 (2023 - $289,478). The increase in finance costs was mainly due to the increase in interest expenses and the increase in foreign exchange loss recorded in 2024. Foreign exchange gain or loss is due to the revaluation of the US dollar against the Canadian dollar as a significant portion of the outstanding balance of loans and advances from related parties are denominated in US dollars. The interest was mainly associated with the outstanding loans and advances from Hebei Wenfeng.

General and administrative expenses in 2024 was $17,358, down $6,815 compared to $24,173 in 2023.

Exploration and evaluation expenses in 2024 was $32,608, compared to $35,685 in 2023.

Change in estimates for the reclamation provision in 2024 was a reversal of $518,824 compared to impairment reversal of $367,517 in 2023. The Company engaged an independent firm to reassess the saleable value of the plant, building and equipment used at the Bucko Lake Mine in 2021. There has been no material change since 2021 in regard to these assets.

Legal and professional fees in 2024 was $122,854, down $77,046 compared to $199,900 in 2023. The significant decrease was due to lower legal fees of $866 (2023 - $134,057) while accounting fees were higher at $121,988 (2023 - $65,843).

Salaries, consulting and management fees in 2024 was $202,860, down $224,209 compared to $427,069 in 2023. The decrease was mainly due to lower fees paid to third-party engineering consultants as well as lower consulting fees paid to the Company's CEO.

Share of profit in associate in 2024 was $25,821,001, compared to $3,400,794 in 2023, representing the equity pickup of the income recorded in the Welichem Partnership.

Shareholder communications and investor relations in 2024 were $42,497, up $249 compared to $42,248 in 2023. Shareholder communications and investor relations include expenses related to regulatory filings, stock exchange listing, annual shareholder meeting and newswire services.

Other income in 2024 was $31,784 compared to $nil in 2023. This revenue was primarily generated from core yard space rental at the mine site and bank GIC investment interest.

Fourth Quarter ended December 31, 2024 ("Q4 2024") vs. Fourth Quarter ended December 31, 2023 ("Q4 2023")

Net income in Q4 2024 was $14,692,974, compared to income of $2,729,090 in Q4 2023. The increase was mainly due to the increase in the income of an associate.

Care and maintenance costs in Q4 2024 was $79,718, compared to $41,721 in Q4 2023. The fluctuation in care and maintenance costs is mainly due to the work involved in ensuring health, safety and environmental compliance at the Bucko Lake mine.

Amortization and depreciation in Q4 2024 was $263,380, compared to $267,316 in Q4 2023. The Company did not acquire any property, plant and equipment in 2024, and the increase was mainly due to a shorter amortization period for certain assets.

Loss from mine operations in Q4 2024 was $362,648, up $62,611, compared to $300,037 in Q4 2023. The increase was mainly due to more care and maintenances costs in Q4 2024.

Finance costs in Q4 2024 were $11,125,542 compared to $792,465 in Q4 2023. Finance costs primarily included interest expenses of $3,438,754 (Q4 2023 - $2,982,144), foreign exchange loss of $7,456,067 (Q4 2023 – gain of $2,244,178), and accretion for site closure and reclamation provisions of $47,912 (Q4 2023 - $72,964). Foreign exchange gain or loss is due to the revaluation of the US dollar against the Canadian dollar as a significant portion of the outstanding balance of loans and advances from related parties are denominated in US dollars. The interest was mainly associated to the outstanding loans and advances from Hebei Wenfeng.

General and administrative expenses in Q4 2024 were $2,403, compared to a recovery of $5,727 in Q4 2023.

Change in estimates for reclamation provision in Q4 2024 was a reversal of $518,824, compared to a reversal $367,517 in Q4 2023. The Company engaged an independent firm to reassess the marketable value of the plant, building and equipment used at the Bucko Lake Mine in 2021. There has been no material change since 2021 in regard to these assets.

Legal and professional fees in Q4 2024 was $60,619 (Q4 2023 - $89,365), which mainly included legal and audit fee accruals.

Salaries, consulting and management fees during Q4 2024 was $106,286, compared to $108,500 in Q4 2023.

Share of profit in associate in Q4 2024 was an income of $25,821,001 (Q4 2023 - 3,686,701), representing the equity pickup of the income recorded in the Welichem Partnership.

Shareholder communications and investor relations during Q4 2024 were $7,579, compared to $16,729 in Q4 2023. Shareholder communications and investor relations include expenses related to regulatory filings, stock exchange listing, annual shareholder meeting and newswire services.

Other income in Q4 2024 was $4,011, compared to $nil in Q4 2023. Other income was primarily generated from core yard space rental at the mine site and bank GIC investment interest.

QUARTERLY FINANCIAL RESULTS

	Quarters ended			
Loss from mine operations	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024
Income (loss) from mine operations	$ (362,648)	$ (304,831)	$ (294,828)	$ (309,948)
Expenses and other items	15,055,622	(1,825,930)	(4,196,803)	(5,826,702)
Net income (loss)	$ 14,692,974	$ (2,130,761)	$ (4,491,631)	$ (6,136,650)
Income (loss) per share - basis and diluted	$ 0.39	$ (0.06)	$ (0.12)	$ (0.16)

	Quarters ended			
	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Loss from mine operations	$ (300,037)	$ (458,301)	$ (430,942)	$ (469,662)
Expenses and other items	3,029,127	(5,141,018)	(874,946)	(3,167,254)
Net income (loss)	$ 2,729,090	$ (5,599,319)	$ (1,305,888)	$ (3,636,916)
Income (loss) per share - basis and diluted	$ 0.07	$ (0.15)	$ (0.03)	$ (0.10)

The fluctuation of the US dollar against the Canadian Dollar has a significant impact on foreign exchange gain or loss, which is included in “other items” as outlined above. The fluctuation of other items is mainly due to the fluctuation of foreign exchange unless otherwise specifically stated.

ANNUAL INFORMATION

	Years ended December 31		
	2024	2023	2022
Total assets	$ 29,785,506	$ 7,002,328	$ 8,087,495
Total liabilities	133,923,734	113,074,488	106,346,622
Shareholders' equity	(104,138,228)	(106,072,160)	(98,259,127)
Dividend declared	-	-	-
Loss from mine operations	(1,272,255)	(1,658,942)	(1,671,053)
Expenses and other items	3,206,187	(6,154,091)	(7,770,068)
Net income (loss)	1,933,932	(7,813,033)	(9,441,121)
Income/loss per share - basis & diluted	$ 0.05	$ (0.21)	$ (0.25)

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2024, the Company had cash and cash equivalents of $398,488, down $168,590 compared to $567,078 as at December 31, 2023.

Cash used in operating activities in 2024 was $548,728, down $840,107 compared to $1,388,835 cash used in operating activities in 2023. Before net change in non-cash working capital, cash used in operations was $572,288, down $692,446 compared to cash used $1,264,734 in 2023. The decrease of cash used in operating activities was mainly due to lower care and maintenance costs.

Cash used in operating activities in Q4 2024 was $350,161, up $105,400, compared to $244,760 cash used from operating activities in Q4 2023. Before net change in non-cash working capital, cash used in operations was $435,310, compared to $243,714 in Q4 2023.

Cash used in financing activities in 2024 was $1,717,253 compared to $2,930,101 in 2023. In 2024, the Company repaid $1,291,676 to related parties' loan and advances, and advanced $425,577 to LJ Resources.

Cash from financing activities in Q4 2024 was $60,785, compared to $750,000 cash used from financing activities in Q4 2023.

Cash from investing activities in 2024 was $2,097,391 compared to $4,830,653 in investing activities in 2023. In 2024, the Company received a $2,030,000 distribution from Welichem Partnership (2023 - $3,750,000), spent $32,609 at TNB properties to maintain certain mineral claims in good standing (2023 – used $35,685), and received a mineral option payment of $100,000 (2023 - $1,116,338).

Cash from investing activities in Q4 2024 was $94,664 compared to $1,113,033 in Q4 2023. In Q4 2024, the Company received $100,000 from a an option extension payment (2023 - $1,116,338).

Working capital as at December 31, 2024, was a deficit of $124,972,902 compared to a deficit of $103,909,959 as at December 31, 2023. Excluding the loans and advances from Hebei Wenfeng, the working capital as at December 31, 2024, was a deficit of $621,785 (December 31, 2023 – deficit of $755,212).

Shareholder's equity as at December 31, 2024, was a deficit of $104,138,228 (December 31, 2023 – deficit of $106,072,160). The decrease in equity deficit was mainly due to income recorded. The Company did not carry out any equity financing in 2024 and 2023.

The Company is currently relying on the support and fundings from the Company's largest beneficiary shareholder and creditor, Hebei Wenfeng. The loans and advances payable to Hebei Wenfeng as at December 31, 2024 was $124,351,117.

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

The Company's current objective when managing its capital is to safeguard its assets, carry out the care and maintenance program at its Bucko Lake Mine and to ensure continued environmental compliance.

FAIR VALUE MEASUREMENTS

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 the estimates.

Management has assessed that the fair value of cash, restricted cash, and accounts payable approximates their carrying amounts. This assessment is based on the nature and terms of these instruments:

- Cash and accounts payable have short-term maturities and are settled in the near term, which aligns their carrying values with their fair values.

- Restricted cash, although classified as a long-term asset, consists of cash held in trust or on deposit, and is not subject to significant credit or liquidity risk.

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

	December 31, 2024			December 31, 2023		
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets and liabilities measured at fair value						
Cash and cash equivalents	**$ 398,488**	**$ -**	**$ -**	$ 567,078	$ -	$ -
Restricted cash	**$ 2,537,374**			$ 2,537,374		

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

RISK AND UNCERTAINTIES

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, comprising of currency risk, interest rate risk and other 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 the 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, 2024 and the related notes.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk on its cash and related party receivables.

The carrying value of cash and restricted cash represents the maximum credit exposure. The Company mitigates credit risk with respect to cash as it uses a significant Canadian bank. The Company has not recognized an ECL on its related party receivables as the Company has assessed that there is no credit risk associated with these receivables.

The Company undertakes credit evaluations on counterparties as necessary and has monitoring processes intended to mitigate credit risks.

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 December 31, 2024, the Company has limited funds to meet its short-term financial liabilities, and the working capital, net of $124,351,117 loans and advances from a shareholder, was in a deficit position of $621,785. Accordingly, additional financing is required for the Company to continue as a going concern.

Based on the contractual obligations of the Company as at December 31, 2024, cash outflow of those obligations based on contractual undiscounted payments, are estimated and summarized as follows:

	Payment Due by Period			
Contractual Obligations	Less than 1 year	1 - 3 years	After 3 years	Total
Accounts payable and accrued liabilities	$ 248,020	$ -	$ -	$ 248,020
Loans and advances from related parties	124,351,117	-	-	124,351,117
Total Contractual Obligations	**$ 124,599,137**	**$ -**	**$ -**	**$ 124,599,137**

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 other price risk. Financial instruments affected by market risk include cash, receivables, accounts payable and accrued liabilities, and loans and advances from related parties.

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash subject to fluctuations in interest rates. The Company's current policy is to invest excess cash in short-term deposits issued by financial institutions. As at December 31, 2024, the Company had $122,391,217 in loans payable bearing fixed interest rates of 12% per annum. As the loans are due on demand, its carrying value approximates its fair value. Currently, the Company does not hedge against interest rate risk.

ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company is exposed to foreign exchange risk as a result of certain financing activities being denominated in US dollars. As at December 31, 2024, the following financial assets and liabilities are denominated in US Dollars.

Expressed in Canadian dollar equivalents	**December 31, 2024**	December 31, 2023
Financial assets denominated in US Dollars		
Cash	**$ 6,276**	$ 6,155
	6,276	6,155
Financial liabilities denominated in US Dollars		
Loans and advances from related parties	**122,391,217**	100,085,979
	$ 122,391,217	$ 100,085,979
Net Liabilites	**$ 122,384,941**	$ 100,079,824

Based on the financial assets and liabilities denominated in US dollars as at December 31, 2024, every 5% strengthening in US dollars would increase net loss by $6,119,247 (December 31, 2023 - $5,003,991). The Company currently has not entered into any agreement to hedge the foreign exchange risk.

iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

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

In July 2012, the Company suspended its mining operation due to unfavourable nickel prices. The timing to evaluate a restart scenario of operations would mainly depend on nickel prices. As at December 31, 2024, the Company has no nickel sales receivable, forward sales contracts, or call options outstanding. Changes in commodity prices would not have any significant impact on the financial position of the Company. However, changes in nickel prices would have a significant impact on the estimated recoverable amount of the Company's mineral properties and mine assets.

d) Environmental risk

The Company's activities are subject to extensive laws and regulations governing environmental protection and employee health and safety in Canada. These laws address emissions into the air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species, and reclamation of lands disturbed by mining operations.

The Company's Bucko Lake Mine has been placed on care and maintenance since 2012. During the care and maintenance period, the Company is required to maintain active environmental monitoring at the Bucko Lake Mine to comply with all requirements of federal and provincial rules related to mining operations. If the Company fails to comply with those requirements, the Company could be subject to significant fines and penalties, and the Bucko Lake Mine could be required to be reclaimed immediately.

In 2021, the Company was charged $200,000 in fines for offences under the Fisheries Act (Canada) for an alleged "deposit of deleterious substances and an alleged failure to collect acute lethality samples" at the Bucko Lake Mine in 2017. The fine was fully paid in 2023. In 2022, the Company also reassessed the closure and reclamation obligation related to the Bucko Lake Mine, and the undiscounted obligation increased to $14,632,558 from $6,548,404 as at December 31, 2022. There was no change to this estimation in 2024.

Environmental legislation is evolving, and the trend has been toward stricter standards and enforcement; increased fines and penalties for non-compliance; more stringent environmental assessments of proposed projects; and increasing responsibility for companies and their officers, directors and employees. Compliance with environmental laws and regulations may require significant capital outlays on behalf of the Company and may cause material changes or delays in the Company's intended activities. There can be no assurance that the Company has been, or will be at all times, in complete compliance with current and future environmental, health and safety laws and permits will not materially adversely affect the Company's business, results of operations or financial condition. It is possible that future changes in these laws or regulations could have a significant adverse impact on some portion of the Company's business, causing the Company to re-evaluate those activities at that time. The Company's compliance with environmental laws and regulations entails uncertain cost.

e) Cybersecurity Risks

The Company is subject to cybersecurity risks including, without limitation: unauthorized access to privileged information and risks related to the destruction of data or the disabling, degrading or sabotaging of the Company's systems, including through the introduction of computer viruses. Although the Company takes steps to secure configurations and manage information systems, including, without limitation, computer systems, internet sites, emails and other telecommunications, and financial/geological data, there can be no assurance that measures the Company takes to ensure the integrity of its systems will provide protection, especially because cyberattack techniques used change frequently or are often not recognized until successful. The Company has not experienced any material cybersecurity incidents in the past, but there can be no assurance that the Company would not experience the same in the future. If the Company's systems are compromised, do not operate properly or are disabled, the Company could, among other things, suffer financial loss, disruption of business, loss of geological data which could affect its ability to conduct effective mine planning and accurate mineral resource estimates. Loss of financial data could also affect the Company's ability to provide accurate and timely financial reporting.

f) General Economic Conditions

General economic conditions may adversely affect the Company's operations and ability to obtain financing. Events in global financial markets over the past several years have had a profound impact on the global economy. Many industries, including the nickel mining industry have been, and continue to be, impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations, high volatility in global equity, commodity, foreign exchange and precious metal markets and a lack of market confidence and liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates and tax rates, may adversely affect the Company's operation and ability to obtain financing.

RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere include the following:

Loans and advances from related parties

	Interest-bearing loans	Advances	Total
As at December 31, 2022	$ 91,212,221	$ 3,140,000	$ 94,352,221
Interest accrued	11,241,037	-	11,241,037
Repayments	–	(71,232)	(71,232)
Foreign exchange	(2,367,279)	-	(2,367,279)
As at December 31, 2023	100,085,979	3,068,768	103,154,747
Interest accrued	12,855,870	182,808	13,038,678
Repayments	-	(1,291,676)	(1,291,676)
Foreign exchange	9,449,368	-	9,449,368
As at December 31, 2024	**$ 122,391,217**	**$ 1,959,900**	**$ 124,351,117**

i) Interest-bearing loans

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

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

As at December 31, 2024, the total outstanding balance, including interest accretion, of the interest-bearing loans was $122,391,217 (US$85,058,875) (2023 - $100,085,979 (US$75,673,658)). The loans are unsecured and repayable on demand.

In 2024, a total of $12,855,870 interest expense (2023 - $11,241,037) and $9,449,368 foreign exchange loss (2023 – $2,367,279 gain), were recorded arising from the US dollar denominated interest-bearing loans.

ii) Advances

In 2022, the Company received a loan of $2,778,039 from LJ Resources, the other partner of the Welichem Partnership and a company controlled by a related party. The loan bore interest at a rate of 3% per annum, compounding annually on the last day of each year. The loan had no specific terms of repayment. No interest expense was accrued in 2024 (2023 - $48,406). The total outstanding balance of the loan including interest of $2,858,868 was repaid in July 2023. As at December 31, 2024, there was no balance due in relation to this advance.

In 2021, the Company received an advance of $2,000,000 from LJ Resources. The advance bore interest at a rate of 3% per annum and had no specific terms of repayment. In 2024, the Company repaid $1,778,038 (2023 - $nil) to LJ Resources and incurred interest totaling $182,808 (2023: $nil). In addition, LJ Resources incurred key management personnel fees amounting to $60,786 (2023: $nil) which were recharged to the Company. As at December 31, 2024, the total outstanding balance with LJ Resources was a $425,577 receivable (2023: $1,108,868 payable).

Due to the financial condition of the Company, Hebei Wenfeng has advanced funds, from time to time, to the Company to support the Company’s operations. In 2024, the Company repaid a total of $nil (2023 - $71,232) to Hebei Wenfeng. As at December 31, 2024, the outstanding balance of the advances from Hebei Wenfeng was $1,959,900 (2023 - $1,959,900). The advances bear no interest and are repayable on demand.

Loan to a related party

In 2024, the Company advanced a loan of $425,577 to LJ Resources. The loan was non-interest bearing. The loan had no specific terms of repayment .

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:

	Year ended December 31,	
	2024	2023
Salaries and fees	**$ 202,786**	$ 426,500
	$ 202,786	$ 426,500

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

Functional Currency

One of the critical areas requiring significant judgment is the determination of the Company's functional currency. In accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates, the functional currency is the currency of the primary economic environment in which the entity operates. Management has assessed the relevant factors outlined in the standard, including the currency that mainly influences sales prices, costs, and financing activities, and has concluded that the Canadian dollar is the functional currency of the Company. This determination involves judgment and may be reconsidered if there are changes in the underlying economic facts and circumstances.

Assessment of Control over Bucko Lake Mine Assets

As at the reporting date, the Company had entered into an option agreement regarding the Bucko Lake Mine assets. Management exercised significant judgment in determining that the Company continued to retain control over these assets at year-end. Although the option agreement had been signed, substantive conditions required to transfer control had not been satisfied as of the reporting date. As such, the assets remain recognized on the Company's statement of financial position.

Control, joint control and significant influence

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

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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

Site closure and reclamation provision

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

Impairment of assets

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

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

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

Given the Company's operations at the Bucko Lake Mine have remained suspended for an extended period of time, the recoverable amount of plant and equipment at the Bucko Lake Mine has been determined based on the value that could be recovered through an orderly sales process. With respect to the Thompson Nickel Belt properties ("TNB properties"), management has determined it appropriate to write off their carrying amount, based on an assessment of prevailing nickel prices and the extent of known mineral resources.

Recoverability of deferred tax assets:

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

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

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

Recoverability of investment in associate

The assessment of whether an investment in an associate is impaired involves significant judgment. In accordance with IAS 28, the Company evaluates whether there is objective evidence of impairment as a result of one or more loss events that have a negative impact on the estimated future cash flows from the associate and that can be reliably estimated.

These indicators include, but are not limited to:

- Significant financial difficulty of the associate;
- A breach of contract (e.g., default or delinquency in payments);
- Probable bankruptcy or financial reorganization of the associate;
- Disappearance of an active market due to financial difficulties; and
- Prolonged or significant decline in the fair value of the investment below its carrying amount.

The Company performs this assessment at each reporting date and, when objective evidence of impairment exists, calculates the impairment loss as the difference between the investment's recoverable amount and its carrying amount, with the loss recognized in profit or loss.

CHANGE IN ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS

A summary of Recent Accounting Pronouncements not yet Adopted are disclosed on note 2 to the audited financial statements for the year ended December 31, 2024.

CONTINGENCIES AND LEGAL MATTERS

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

OUTSTANDING SHARE DATA

As at the date of this report, a total of 37,520,369 common shares of the Company were issued and outstanding. No common shares are reserved, and no Class A and Class B preferred shares are issued and outstanding.

OFF BALANCE SHEET ITEMS

There are no off-balance sheet items.

PROPOSED TRANSACTIONS

There are no proposed assets or business acquisition or disposition.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

(a) capitalized or expensed exploration and development costs;

This required disclosure is presented on audited financial statements of income and comprehensive income for the year ended December 31, 2024.

(b) expense research and development costs;

Not applicable.

(c) deferred development costs;

Not applicable.

(d) general and administrative expenses;

This required disclosure is presented on audited financial statements of income and comprehensive income for the year ended December 31, 2024.

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

None

END OF THIS REPORT