CaNickel Mining Limited

www.canickel.com

FINANCIAL STATEMENTS

December 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of CaNickel Mining Limited:

Opinion

We have audited the financial statements of CaNickel Mining Limited (the "Company"), which comprise the statement of financial position as at December 31, 2024, and the statement of income (loss) and comprehensive income (loss), statement of changes in shareholders' deficiency and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which describes conditions indicating that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section of our auditor's report, we have determined the matter described below to be the key audit matters to be communicated in our report.

Key audit matter	**How our audit addressed the key audit matter**
Assessment of the valuation, accuracy and completeness of the site closure and reclamation provisions related to the Bucko Lake Mine	
Refer to note 10	Our approach to addressing the matter involved the following procedures, among others:
As at December 31, 2024, the carrying amount of the Company's site closure and reclamation provisions was $8,108,259. At each reporting period, management estimates the present value of the costs for site closure and reclamation activities based on expected cash outflows, effects of inflation, discount rates, and risks specific to the obligations. We considered this a key audit matter due to the significant assumptions applied and judgments made by management, which were required in: • Estimation of costs and expected timing of rehabilitation work; and/or • Discount rates and inflation rates, as applicable, for cash outflows. These factors have resulted in a high degree of subjectivity in performing audit procedures, related to the significant assumptions applied and judgments made by management.	Evaluating the significant assumptions applied and judgments made by management in determining the nature and extent of rehabilitation work which included the following: • Evaluated the qualifications, competence and objectivity of management's expert. • Obtained the Bucko Lake Mine Closure Plan prepared by management's expert related to the expected rehabilitation cash outflows, and the estimated timing when the activities are expected to occur, evaluated the methods and assumptions, and assessed the appropriateness of the expert's work as audit evidence. • Tested the mathematical accuracy of the calculation of the site closure and reclamation provisions. • Assessed the reasonableness of the discount and inflation rates based on available independent economic data. • Evaluated the adequacy of the Company's disclosures related to the site closure and reclamation provisions.

Other Matter

The financial statements of the Company for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 26, 2024.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian securities commissions.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Doris Yingying Cen.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.
April 25, 2025

Statements of Financial Position
(Expressed in Canadian Dollars)

As at	Notes		December 31, 2024		December 31, 2023
ASSETS					
Current					
Cash and cash equivalents		$	**398,488**	$	567,078
Receivables and prepaid expenses	5,12		**444,085**		7,434
			842,573		574,512
Non-Current					
Mineral properties, plant and equipment	6		**2,614,558**		3,890,442
Investment in associate	7		**23,791,001**		-
Restricted cash	8		**2,537,374**		2,537,374
		$	**29,785,506**	$	7,002,328
LIABILITIES					
Current					
Accounts payable and accrued liabilities		$	**248,020**	$	213,386
Deposit	6		**1,216,338**		1,116,338
Loans and advances from related parties	9		**124,351,117**		103,154,747
			125,815,475		104,484,471
Non-Current					
Site closure and reclamation provisions	10		**8,108,259**		8,590,017
			133,923,734		113,074,488
SHAREHOLDERS' DEFICIENCY					
Share capital	11		**186,952,654**		186,952,654
Share- based payment reserve			**32,873,345**		32,873,345
Accumulated deficit			**(323,964,227)**		(325,898,159)
			(104,138,228)		(106,072,160)
		$	**29,785,506**	$	7,002,328

Contingencies and Legal Matters (Note 14)
Going concern (Note 1)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

"Wenfeng Liu", Director

"Myles Gao", Director

See accompanying notes to the financial statements

Statements of Income (Loss) and Comprehensive Income (Loss)

(Expressed in Canadian Dollars, except share data)

	Notes	Year ended December 31, 2024	2023
Care and maintenance costs	6	**$ (218,723)**	$ (589,660)
Amortization and depreciation		**(1,053,532)**	(1,069,282)
Loss from mine operations		**(1,272,255)**	(1,658,942)
Finance costs	3,9	**(22,747,245)**	(9,193,327)
General and administration		**(17,358)**	(24,173)
Exploration and evaluation expenses	6	**(32,608)**	(35,685)
Change in estimates for the reclamation provision		**518,824**	367,517
Legal and professional fees		**(122,854)**	(199,900)
Salaries, consulting and management fees	12	**(202,860)**	(427,069)
Share of profit in associate	7	**25,821,001**	3,400,794
Shareholder communications and investor relations		**(42,497)**	(42,248)
Net income (loss) before other items		**1,902,148**	**(7,813,033)**
Other income		**31,784**	-
Net income (loss) and comprehensive income (loss) for the year		**1,933,932**	(7,813,033)
Income (loss) per share - basic & diluted		**$ 0.05**	$ (0.21)
Weighted average number of shares - basic & diluted		**37,520,369**	37,520,369

See accompanying notes to the financial statements

Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian Dollars, except share data)

	Common Shares				
	Number of shares issued	Amount	Share-based payment reserve	Accumulated Deficit	Total Deficiency
As at January 1, 2023	37,520,369	$ 186,952,654	$ 32,873,345	$ (318,085,126)	$ (98,259,127)
Loss and comprehensive loss for the year	-	-	-	(7,813,033)	(7,813,033)
As at December 31, 2023	37,520,369	186,952,654	32,873,345	(325,898,159)	(106,072,160)
Income and comprehensive income for the year	-	-	-	1,933,932	1,933,932
As at December 31, 2024	**37,520,369**	**$ 186,952,654**	**$ 32,873,345**	**$ (323,964,227)**	**$ (104,138,228)**

See accompanying notes to the financial statements

Statements of Cash Flows

(Expressed in Canadian Dollars)

	Notes	Year ended December 31, 2024	2023
OPERATING ACTIVITIES:			
Net income (loss) for the year		**$ 1,933,932**	$ (7,813,033)
Items not affecting cash:			
Accretion of site closure and reclamation provisions	3,10	**259,419**	289,478
Depreciation and amortization	6	**1,053,532**	1,069,282
Unrealized foreign exchange expense (gain)	3,9	**9,449,366**	(2,367,278)
Interest expenses accrued	9	**13,038,679**	11,289,443
Exploration and evaluation expenses	6	**32,609**	35,685
Adjustments to reclamation provision	6	**(518,824)**	(367,517)
Share of profit in associate	7	**(25,821,001)**	(3,400,794)
Net change in non-cash working capital	15	**23,560**	(124,101)
		(548,728)	(1,388,835)
FINANCING ACTIVITIES:			
Advance to related parties	12	**(425,577)**	-
Repayment to related parties	9	**(1,291,676)**	(2,858,868)
Repayment to a shareholder		**-**	(71,233)
		(1,717,253)	(2,930,101)
INVESTING ACTIVITIES:			
Purchase of mineral properties, plant, and equipment	6	**(32,609)**	(35,685)
Proceeds received from mineral option agreement	6	**100,000**	1,116,338
Distribution from associate	7	**2,030,000**	3,750,000
		2,097,391	4,830,653
CHANGE IN CASH		**(168,590)**	511,717
CASH, beginning of year		**567,078**	55,361
CASH, end of year		**$ 398,488**	$ 567,078
Cash and cash equivalents consist of:			
Cash		**$ 119,738**	$ 567,078
Cash equivalents		**$ 278,750**	$ -
SUPPLEMENTAL INFORMATION			
Interest paid		**$ -**	$ -
Income taxes paid		**$ -**	$ -

See accompanying notes to the financial statements

1. CORPORATE INFORMATION

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

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

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

In December 2023, the Company signed an option agreement with Blackstone Minerals Limited ("Blackstone Minerals", a publicly 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).

<u>Going concern</u>

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 (note 6).

2. MATERIAL ACCOUNTING POLICIES

a) Statement of Compliance

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

These financial statements have been approved by the Board of Directors on April 25, 2025.

b) Basis of Measurement

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

c) Significant Accounting Judgments, Estimates, and Assumptions

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

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

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 provisions

The Company assesses its site closure and reclamation provisions at each reporting date. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate amount payable. These factors include estimates of the extent, cost, and timing of rehabilitation activities; technological changes; regulatory changes; cost increases as compared to the changes of inflation rate; and discount rates. These uncertainties may result in future expenditures 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 of disposal 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 the 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.

d) Foreign Currency Translation

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

e) Loss per share

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

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

f) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at financial institutions, and other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The Company considers investments with original maturities of three months or less from the date of acquisition to be cash equivalents. These may include short-term Guaranteed Investment Certificates (GICs) with fixed interest rates and maturity periods of three months or less.

g) Mineral Properties, Plant and Equipment

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

Recognition and measurement

Mineral property acquisition and development costs — including the fair value of consideration given to acquire the mineral property at the time of acquisition, exploration and evaluation assets transferred, mine construction cost and development cost that will enable physical access to ore underground — are capitalized. When the Company incurs debt directly related to the construction of a new operation or major expansion, the related financing costs are capitalized during the construction period.

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

Exploration and evaluation costs include expenditures to acquire exploration and evaluation assets; payments to maintain the assets in good standing; and the costs of conducting geological surveys, exploratory drilling, trenching, sampling, and related administrative overhead. These costs are capitalized as intangible assets in accordance with IFRS 6.

Expenditures incurred prior to the Company obtaining legal rights to explore an area are expensed as incurred. Upon determination that technical feasibility and commercial viability of a project are demonstrable, capitalized exploration and evaluation costs are tested for impairment, and the balance is reclassified to mineral property acquisition and development costs. No amortization is charged during the exploration and evaluation phase.

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

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

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

Depreciation and amortization

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

Building	20 years
Equipment	3 to 10 years

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

h) Investment in Associate

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies.

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

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

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

<u>Site closure and reclamation provision</u>

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

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

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

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

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

i) Financial Instruments

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

<u>Subsequent measurement of financial assets:</u>
Subsequent measurement of financial assets depends on the classification of such assets.

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

  All other instruments are mandatorily measured at fair value.

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

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

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

Impairment of financial assets carried at amortized cost:
The Company applies the expected credit loss ("ECL") model to financial assets measured at amortized cost and contract assets. At each reporting date, the Company recognizes a loss allowance for expected credit losses on these assets.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

The Company applies the simplified approach for trade receivables and contract assets, whereby the loss allowance is measured at an amount equal to lifetime expected credit losses, regardless of whether a significant increase in credit risk has occurred.

For all other financial assets measured at amortized cost, the Company assesses whether there has been a significant increase in credit risk since initial recognition:

- If not, a 12-month ECL is recognized.
- If there has been a significant increase in credit risk, a lifetime ECL is recognized.

Impairment losses and reversals of impairment losses, if any, are recognized in profit or loss during the period.

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

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

The Company classifies its financial instruments as follows:

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

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

- The rights to receive cash flows from the asset have expired; or

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

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

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

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

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

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

j) Borrowing Costs

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

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

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

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

k) Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

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

K) Share- based compensation

The Company accounts for share-based compensation in accordance with *IFRS 2 Share-based Payment*. Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are classified as equity-settled share-based payments.

The fair value of equity-settled share-based awards (such as stock options or deferred share units) is measured at the grant date using an appropriate option pricing model (typically the Black-Scholes option pricing model) and is recognized as an expense, with a corresponding increase in equity (share-based payment reserve), over the vesting period during which the service conditions are fulfilled. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest, based on the Company's best estimate of forfeiture rates.

For awards with market-based vesting conditions, the grant date fair value reflects these conditions and is not adjusted for differences between expected and actual outcomes.

When options are exercised, the proceeds received together with the amount previously recorded in share-based payment reserve are credited to share capital. When options expire or are cancelled, the carrying of the expired options remain in the share-based payment reserve and are not are transferred from the share-based payment reserve to share capital.

The Company does not recognize any compensation expense for awards that do not ultimately vest, except for awards that vest based on market conditions or those with no vesting conditions.

L) Recent Accounting Pronouncements not yet Adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2025, and have not been early adopted in preparing these financial statements.

IFRS 9 Financial Instruments ("IFRS 9") and IFRS 7, Financial Instruments: Disclosures ("IFRS 7")
IFRS 9 requires entities to recognize financial assets and liabilities when they become party to the contractual terms and to measure them initially at fair value, adjusted for directly attributable transaction costs where applicable. The standard is being clarified to provide better guidance on the derecognition of financial liabilities, which can impact bank reconciliation processes, especially during debt restructuring based on the timing of payments on financial liabilities as compared to the actual settlement of those debts. This clarification may result in a change in the derecognition timing of financial liabilities in situations where electronic payments are involved. These amendments are effective for annual periods beginning on or after January 1, 2026 with earlier adoption permitted. The extent of the impact of the amendments on the Company's financial statements has not yet been determined

IFRS 18 Presentation and Disclosure in Financial Statements
In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements. This standard aims to improve the consistency and clarity of financial statement presentation and disclosures by providing updated guidance on the structure and content of financial statements. Key changes include enhanced requirements for the presentation of financial performance, financial position, and cash flows, as well as additional disclosures to improve transparency and comparability. In addition, IFRS 18 requires entities to classify income and expenses into five categories, three of which are new – i.e. operating, investing and financing – and the income tax and discontinued operation categories. The new standard sets out detailed requirements for classifying income and expenses into each category. These amendments are effective for annual periods beginning on or after January 1, 2027 with earlier adoption permitted. IFRS 18 requires retroactive application with certain transition provisions. The extent of the impact of the amendments on the Company's financial statements has not yet been determined.

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

3. FINANCE COSTS

Finance costs comprise the following:

	Year ended December 31,	
	2024	2023
Accretion for site closure and reclamation provision	**$ 259,419**	$ 289,478
Foreign exchange loss (gain)	**9,449,147**	(2,367,130)
Interest expense	**13,038,679**	11,270,979
	$22,747,245	$ 9,193,327

4. INCOME TAXES

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

	2024	2023
Net income (loss) for the year	**1,933,932**	(7,813,033)
Canadian federal and provincial income tax rates	**27.00%**	27.00%
Income tax expense (recovery)	**522,162**	(2,109,519)
Non-deductible differences	**6,022,965**	551
Change in unrecognized deferred income tax assets	**(6,556,830)**	1,945,825
Other	**11,703**	163,143
	$ -	$ -

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

	December 31, 2024	December 31, 2023
Deferred income tax assets		
Unused non-capital losses	**$ 18,744,064**	$ 22,067,661
Resource properties	**15,503,849**	15,625,120
Deposit	**328,411**	301,411
Fixed assets	**15,585,058**	15,240,569
Mining tax asset	**15,416,794**	15,414,410
Federal pre-production mining income tax credit	**1,450,205**	1,450,205
Investment in associate	**(2,135,835)**	1,350,000
	$ 64,892,546	$ 71,449,376

The Company has approximately $69.4 million of non-capital losses, which could be utilized to reduce the taxable income of future years under certain circumstances, which expire as follows:

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

Expire year		Amount
2030		**4,999,266**
2031		**23,540,753**
2032		**12,688,652**
2033		**11,487,657**
2034		**7,966,421**
2035		**2,994,050**
2036		**1,275,596**
2037		**1,196,456**
2038		**403,368**
2040		**956,217**
2043		**1,914,024**
Total	**$**	**69,422,459**

The Company also has $49.3 million of Canadian exploration and development expenditures and $60.3 million of capital cost allowances as at December 31, 2024, which under certain circumstances could also be utilized to reduce the taxable income of future years.

Based on the Mining Tax Act (Manitoba, Canada), the Company has a mining tax asset of approximately $15.4 million (2023 - $15.4 million) as at December 31, 2024, which under certain circumstances could be utilized to reduce the income tax in Manitoba in the future years.

5. RECEIVABLES AND PREPAID EXPENSES

Receivables and prepaid expenses comprise the following:

	Note		**December 31, 2024**		December 31, 2023
Taxes receivable		**$**	**14,745**	$	-
Prepaid			**3,763**	$	7,434
Receivable from related party	12		**425,577**	$	-
		$	**444,085**	$	7,434

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

6. MINERAL PROPERTIES, PLANT AND EQUIPMENT

			Bucko Lake Mine		
Cost		Exploration and evaluation expenditure	Mineral property acquisition and development	Plant, building and equipment	Total
As at December 31, 2022	$	23,587,522	$ 99,256,989	$ 77,811,040	$200,655,551
Adjustments to reclamation provision		-	-	(157,508)	(157,508)
As at December 31, 2023		23,587,522	99,256,989	77,653,532	200,498,043
Adjustments to reclamation provision		-	(518,824)	(222,352)	(741,176)
As at December 31, 2024	**$**	**23,587,522**	**$ 98,738,165**	**$ 77,431,180**	**$199,756,867**

Accumulated depreciation, depletion, amortization, and impairment		Exploration and evaluation expenditure	Mineral property acquisition and development	Plant, building and equipment	Total
As at December 31, 2022	$	23,587,522	$ 99,256,989	$ 72,693,808	$195,538,319
Depreciation, depletion and amortization		-	-	1,069,282	1,069,282
As at December 31, 2023		23,587,522	99,256,989	73,763,090	196,607,601
Depreciation, depletion and amortization		-	-	1,053,532	1,053,532
Adjustments to reclamation provision		-	(518,824)	-	(518,824)
As at December 31, 2024	**$**	**23,587,522**	**$ 98,738,165**	**$ 74,816,622**	**$197,142,309**

Net carrying amount		Exploration and evaluation expenditure	Mineral property acquisition and development	Plant, building and equipment	Total
As at December 31, 2023	$	-	$ -	$ 3,890,442	$ 3,890,442
As at December 31, 2024	**$**	**-**	**-**	**$ 2,614,558**	**$ 2,614,558**

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.

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

(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.

7. INVESTMENT IN ASSOCIATE

The Company owns 10 million Class A Preferred Units and 50 General Units of Welichem Research General Partnership, a technology partnership (the “Welichem Partnership”). LJ Resources amalgamated with Welichem Biotech Inc., a Burnaby, British Columbia research business, in 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

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

8. Restricted Cash

Other non-current assets comprised restricted cash of $2,537,374 as at December 31, 2024 (2023 - $2,537,374), which is the reclamation deposit in accordance with statutory requirements for reclamation provisions to be incurred at the end of the mine life of the Company's Bucko Lake Mine. These funds are not available to finance the Company's day-to-day operations and therefore have been excluded from cash for the purposes of the statements of cash flows.

9. LOANS AND ADVANCES FROM 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**

(a) Interest-bearing loans

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

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

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.

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

(b) 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 relating 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 totalling $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.

10. SITE CLOSURE AND RECLAMATION PROVISIONS

		December 31, 2024		December 31, 2023
Balance, beginning of year	**$**	**8,590,017**	$	8,825,564
Accretion		**259,419**		289,478
Change in estimates		**(741,177)**		(525,025)
Balance, end of year	**$**	**8,108,259**	$	8,590,017

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

The undiscounted inflation-adjusted value of these obligations is estimated to be $15,454,513 as at December 31, 2024 (2023 - $13,690,950), calculated using an average inflation rate of 2.00% (2023 – 2.05%). Using a discount rate of 3.33% (2023 – 3.02%), the present value of the site closure and reclamation provisions as at December 31, 2024, was estimated to be $8,108,259 (2023 - $8,859,017). The revision of the estimate has been recorded as a decrease to the carrying amount of the Bucko Lake Mine and allocated between the mineral property, resulting in change in estimates for the reclamation provision of $741,177, acquisition and development and the plant, building and equipment (note 6) with a corresponding decrease in the site closure and reclamation provision.

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

SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value.
Unlimited Class A and Class B preferred shares without par value.
No Class A and Class B preferred shares are issued and outstanding.
No common shares were issued during the years ended December 31, 2024 and 2023.

(b) Share- based compensation

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

No options were granted or are outstanding as at December 31, 2024 and 2023.

11. RELATED PARTY TRANSACTIONS

Related party transactions with Hebei Wenfeng and LJ Resources are disclosed in note 9 above.

a) 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.

b) Transactions with key management

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

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

12. FAIR VALUE MEASUREMENT AND FINANCIAL INSTRUMENTS

The Company manages its exposure to key financial risks in accordance with its financial risk management framework. The objective of this framework is to protect the Company’s future financial security by identifying and managing potential exposures. 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 includes 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 risk management policies on an ongoing basis.

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

As at and for the year ended December 31, 2024, there were no significant changes in the Company's approach to managing financial risks compared to the prior year. Similarly, there have been no changes in the nature or extent of the Company's exposure to financial risks compared to the prior year.

The Company does not currently apply any form of hedge accounting.

c) 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 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 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.

d) 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.

e) 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 working capital, excluding $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**

f) 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 (2023 - $5,003,991). The Company currently has not entered into any agreement to hedge the foreign exchange risk.

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

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.

13. 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.

14. SUPPLEMENTAL CASH FLOW INFORMATION

	Year ended December 31,	
	2024	2023
Net change in non-cash working capital		
Increase/decrease in receivables and prepaid expenses	**$ (11,074)**	$ 20,888
Increase/decrease in accounts payable and accrued liabilities	**34,634**	(144,989)
	$ 23,560	$ (124,101)

15. SEGMENTED INFORMATION

The Company currently operates in a single reportable segment and is focused on nickel mining and related activities, including exploration and the extraction and processing of nickel-containing ore. All assets of the Company are in Canada.

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