



CaNickel Mining Limited

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS of financial condition and results of operations for the year ended December 31, 2025

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, 2025, should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2025, 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 24, 2026**, 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

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 Company's registered and corporate head office 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 that time, the Company has been focused on maintaining the Bucko Lake Mine and preserving its mineral properties while conducting limited exploration activities.

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 based in Burnaby, British Columbia.

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In December 2023, the Company entered into an option agreement with Blackstone Minerals Limited ("Blackstone Minerals") and its subsidiary, Cobalt One Energy Corporation ("Cobalt One"), pursuant to which Cobalt One was granted the exclusive option for a 12-month period (the "Option") to acquire the Bucko Lake Mine. The Option was extended for 30 days in December 2024 and subsequently expired in January 2025. As a result, the non-refundable deposit was recognized in other income.

The Company continues to hold the Bucko Lake Mine and related assets and is evaluating potential strategic alternatives, including asset disposition and other investment opportunities.

Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

As at December 31, 2025, the Company has an accumulated deficit of \$322,798,230 and a working capital deficiency of \$97,199,551. The Company is dependent on financial support from its largest shareholder and creditor, Hebei Wenfeng Industrial Company Limited ("Hebei Wenfeng"). Hebei Wenfeng is affiliated with Mr. Liu Wenfeng, a director of the Company. As at December 31, 2025, the Company owed \$108,391,172 to Hebei Wenfeng, which is repayable on demand.

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. The Company's ability to continue as a going concern is dependent on the continued financial support of Hebei Wenfeng, its ability to raise additional financing, or ability to realize value from the sale of its assets. If the Company is unable to continue as a going concern, adjustments may be required to the carrying amounts and classification of assets and liabilities in these financial statements, and such adjustments could be material.

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.

The costs to run the care and maintenance program were \$309,426 and \$218,723 in 2025 and 2024, respectively. The increase in 2025 was mainly due to higher environmental compliance reporting costs at the Bucko Lake Mine.

In December 2023, the Company entered into an option agreement with Blackstone Minerals Limited ("Blackstone Minerals") and its subsidiary, Cobalt One Energy Corporation ("Cobalt One"), pursuant to which Cobalt One was granted the exclusive option for a 12-month period (the "Option") to acquire the Bucko Lake Mine. The Option was extended for 30 days in December 2024 and subsequently expired in January 2025. As a result, the non-refundable deposit was recognized in other income.

The Company's interest in the Bucko Lake Mine is subject to a back-in right held by Glencore, under which Glencore may acquire up to a 50% interest in certain circumstances.

EXPLORATION

a) Exploration and evaluation expenditures

Thompson Nickel Belt ("TNB")

The Company has fully impaired the carrying amount of TNB to \$nil in the prior year, as management determined that the recoverable amount of the property was negligible based on an estimate of fair value less costs of disposal ("FVLCD"). This assessment reflects management's decision not to pursue further exploration activities at TNB. Expenditures incurred to maintain certain claims in good standing are recognized as exploration and evaluation expenses in the statements of income

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(loss) and comprehensive income.

In 2025, the Company incurred expenditures of \$nil at TNB properties (2024 - \$32,608).

The Company's 100% interest in TNB is subject to a back-in right held by Glencore Canada Corporation ("Glencore"), under which Glencore may acquire up to a 50% interest in certain circumstances. The TNB is also subject to a 2.5% net smelter return 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 2025, the Company incurred a total of \$309,426 in care and maintenance costs at the Bucko Lake Mine (2024 - \$218,723).

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 value 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.

The Company's interest in the Bucko Lake Mine is subject to a back-in right held by Glencore, under which Glencore may acquire up to a 50% interest in certain circumstances.

(c) Transaction with Cobalt One

In December 2023, the Company entered into 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, licenses, plant, building and equipment related to the mine. As consideration for the Option, the Company received a non-refundable option fee of \$1,167,337 from Cobalt One, which was recorded as a deposit as at December 31, 2024. Upon exercise of the Option, the parties would have entered into an asset purchase agreement under which Cobalt One would have been required to pay consideration of up to \$69 million in cash and \$10 million in shares of Blackstone Minerals (minus the option fee), payable over time. In December 2024, the Company received an additional payment of \$100,000 from Cobalt One to extend the Option period by 30 days. In January 2025, Cobalt One did not exercise the Option and did not make further extension payments. As a result, the Option expired, and the total non-refundable amount received of \$1,267,337 was recognized in other income.

INVESTMENT IN ASSOCIATE

The Company owned 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.

During the period, the Company disposed its units to the other Limited Partner in exchange for \$400,000 of cash consideration. Accordingly, the Company has determined that it holds a 0% ownership interest in the Welichem Partnership as at December 31, 2025. The Company uses the equity method to account for its investment in the Welichem Partnership for the period in which the investment was held by the Company.

In 2025, the Company recorded income of \$3,608,999 (2024 – income of \$25,821,001) arising from its pro-rata share of income earned by Welichem Partnership during the period the Company held the investment. In 2025, the Company received a distribution from the Welichem Partnership in the amount of \$27,000,000 (2024 - \$2,030,000). A summary of the investment

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in associate is as follows:

As at	December 31, 2025	December 31, 2024
Initial investment amount	\$ 10,000,000	\$ 10,000,000
Share of accumulated earnings	77,494,705	74,292,963
Gain on disposal	407,257	-
Distributions received	(87,501,962)	(60,501,962)
Proceeds on disposal	(400,000)	-
Carrying amount	\$ -	\$ 23,791,001

Canickel did not hold the Welichem Partnership as at December 31, 2025, so the partnership's assets as at year-end was \$nil. The summarized financial information of the Welichem Partnership for 2024 is as follows:

As at or for the year ended	December 31, 2024
Current assets	\$ 54,038,467
Current liabilities	(2,500)
Net income	\$ 51,642,002

RESULTS OF OPERATIONS

Year ended December 31, 2025 ("2025") vs. Year ended December 31, 2024 ("2024")

Net income in 2025 was \$1,165,997 compared to income of \$1,933,932 in 2024. The Company's financial results in 2025 were mainly impacted by: i) the increase in the impairment expenses, but offset by ii) a significant reduction in finance costs.

Care and maintenance costs in 2025 were \$309,426, compared to \$218,723 in 2024. The increase in costs was due to the Company aggregating its mining equipment onto one mining site.

Amortization and depreciation expenses in 2025 were \$nil, compared to \$1,053,532 in 2024. The decrease was mainly due to the impairment of certain assets in lieu of depreciation or amortization.

Loss from mine operations in 2025 was \$309,426, compared to \$1,272,255 in 2024. The decrease was due to the drop in amortization and depreciation.

Finance costs in 2025 were \$270,005, compared to \$22,747,245 in 2024. In 2024, finance costs primarily included interest expenses of \$13,038,679, and foreign exchange loss of \$9,449,147. The significant decrease in finance costs was mainly due to the waiver of interest expenses that would have been accrued in 2025 from the Company's primary creditor.

General and administrative expenses in 2025 was \$101,391, compared to \$17,358 in 2024. The increase was due to normal business fluctuations.

Exploration and evaluation expense in 2025 was \$nil, compared to \$32,608 in 2024. In a prior period, the Company determined that the carrying value of the TNB properties was impaired to \$nil. Accordingly, management determined that expenses associated with the TNP properties would be reduced to \$nil during the period.

Change in estimates for the reclamation provision in 2025 was a reversal of \$68,210 compared to impairment reversal of \$518,824 in 2024. The change primarily reflects updates to estimates used in the reclamation provision, including timing assumptions, inflation rates and discount rates.

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Legal and professional fees in 2025 was \$59,962, compared to \$122,854 in 2024.

Salaries, consulting and management fees in 2025 was \$168,999 compared to \$202,860 in 2024. The decrease was mainly due to less consulting fees paid to the Company's CFO.

Share of profit in associate in 2025 was \$3,608,999, compared to \$25,821,001 in 2024, representing the equity pickup of the income recorded in the Welichem Partnership. The decrease reflects the recognition by the Welichem Partnership of a significant one-time milestone payment of approximately \$50 million in 2024 that did not recur in 2025.

Shareholder communications and investor relations in 2025 were \$32,463, compared to \$42,497 in 2024. Shareholder communications and investor relations include expenses related to regulatory filings, stock exchange listing, annual shareholder meeting, newswire services and investor conferences.

Other income in 2025 was \$1,167,337 compared to \$20,551 in 2024. This revenue was primarily generated from expiration of the Cobalt One option (Note 6(c)) and recognition of the deposit as revenue.

Fourth Quarter ended December 31, 2025 ("Q4 2025") vs. Fourth Quarter ended December 31, 2024 ("Q4 2024")

Impairment of plant and equipment in Q4 2025 was \$4,162,463, compared to \$nil in Q4 2024. The change was mainly due to the one-time impairment of mining assets primarily due to the absence of near-term development or production plans and the prolonged care and maintenance status of the mine.

Share of profit in associate in Q4 2025 was income of \$3,606,899, compared with income of \$25,821,001 in Q4 2024, representing the equity pickup of the income recorded in the Welichem Partnership. The decrease was due to a one-time revenue recognized in Q4 2024 which did not occur in 2025.

Other income in Q4 2025 was \$nil, compared to \$4,011 in Q4 2024.

QUARTERLY FINANCIAL RESULTS

	Quarters ended			
	December 31, 2025	September 30, 2025	June 30, 2025	March 31, 2025
Income (loss) from mine operations	\$ 711,654.00	\$ (194,353.00)	\$ (516,446.00)	\$ (310,281)
Other items	(1,241,687.00)	725,328.00	724,093.00	\$ 1,267,689
Net income (loss)	\$ (530,033.00)	\$ 530,975.00	\$ 207,647.00	\$ 957,408
Income (loss) per share - basis and diluted	\$ (0.01)	\$ 0.01	\$ 0.01	\$ 0.03
	Quarters ended			
	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)
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)

The fluctuation of US dollars against Canadian dollars 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.

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ANNUAL INFORMATION

	Years ended December 31		
	2025	2024	2023
Total assets	\$ 13,831,495.00	\$ 29,785,506.00	\$ 7,002,328.00
Total liabilities	116,803,726.00	133,923,734.00	113,074,488.00
Shareholders' equity	(102,972,231.00)	(104,138,228.00)	(106,072,160.00)
Loss from mine operations	(309,426.00)	(1,272,255.00)	(1,658,942.00)
Other items	1,475,423.00	3,206,187.00	(6,154,091.00)
Net income (loss)	1,165,997.00	1,933,932.00	(7,813,033.00)
Income/loss per share - basis & diluted	\$ 0.03	\$ 0.05	\$ (0.21)

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2025, the Company had cash of \$11,291,426, compared to \$398,488 as at December 31, 2024.

Cash from/(used) in operating activities in 2025 was \$575,211, compared to \$(548,728) cash used in operating activities in 2024. The increase in cash from operating activities was mainly due to lower financing costs and increased interest income in the period.

Cash used in financing activities in 2025 was \$15,534,368 compared to \$1,717,253 in 2024. In 2025, the Company repaid \$15,959,945 to related parties' loan and advances.

Cash from financing activities in Q4 2025 was \$25,852,095, compared to \$2,097,391 in Q4 2024.

Cash from investing activities in 2025 was \$25,852,095 compared to \$2,097,391 in 2024. The increase was due to the Company receiving a \$27,000,000 distribution from Welichem Partnership in 2025 (2024 - \$2,030,000).

Working capital as at December 31, 2025, was a deficit of \$97,199,551 compared to a deficit of \$124,972,902 as at December 31, 2024. The decrease in working capital deficit was mainly due to the receipt of a \$27 million distribution from the Welichem Partnership in 2025. The Company did not carry out any equity financing in 2025 and 2024. As stated already in this report, additional financing is required for the Company to continue as a going concern in the event Hebei Wenfeng demands payment.

In the event that Hebei Wenfeng discontinues its support or demands repayments, 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.

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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. Its fair value approximates carrying value due to its nature as a non-interest-bearing or low-interest-bearing financial instrument.

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.

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	December 31, 2025			December 31, 2024		
	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	\$ 11,291,426	\$ -	\$ -	\$ 398,488	\$ -	\$ -
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 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.

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, 2025 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 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, 2025, the Company has \$11,291,426 to meet its short-term financial liabilities, excluding \$108,391,172 loans and advances from a

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shareholder. In the event that Hebei Wenfeng discontinues its support and demands the repayment of its loans, the Company would be insolvent and material adjustments would have to be made to these financial statements.

Based on the contractual obligations of the Company as at December 31, 2025, cash outflow of those obligations based on contractual undiscounted payments, are estimated and summarized as follows:

Contractual Obligations	Payment Due by Period			
	Less than 1 year	1 - 3 years	After 3 years	Total
Accounts payable and accrued liabilities	\$ 102,500	\$ -	\$ -	\$ 102,500
Loans and advances from related parties	108,391,172	-	-	108,391,172
Total Contractual Obligations	\$ 108,493,672	\$ -	\$ -	\$ 108,493,672

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, 2025, the Company had \$108,391,172 in loans payable bearing fixed interest rates of 12% per annum. While the Company entered into a forbearance agreement with Hebei Wenfeng on January 1, 2025, in which Hebei Wenfeng agreed to waive interest on the outstanding balances for the year ended December 31, 2025, Hebei Wenfeng retains sole discretion to extend the interest waive period. Interest risk exists as the loans are due on demand. 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 the majority of its transactions are denominated in Canadian dollars.

Prior to December 31, 2024, the Company was exposed to foreign exchange risk as certain financing arrangements were denominated in US dollars. The Company's exposure to foreign exchange risk was significantly reduced since January 1, 2025, when the Company entered into a forbearance agreement with Hebei Wenfeng, in which all outstanding loans and advances denominated in foreign currencies as at December 31, 2024 were converted to Canadian dollars.

As at December 31, 2025, the Company had no assets and liabilities denominated in foreign currencies.

Expressed in Canadian dollar equivalents	December 31, 2025	December 31, 2024
Financial assets denominated in US Dollars		
Cash	\$ -	\$ 6,276
		\$ 6,276
Financial liabilities denominated in US Dollars		
Loans and advances from related parties	\$ -	\$ 122,391,217
Net liabilities	\$ -	\$ 122,391,217

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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.

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 financial support. 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 financial support from its creditor.

RELATED PARTY TRANSACTIONS

Related party transactions were measured at fair value. Related party transactions not disclosed elsewhere include the following:

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Advance and Loan from a related party

In 2024, the Company advanced a non-interest-bearing loan of \$425,577 to LJ Resources. During the year ended December 31, 2025, this receivable was fully repaid. As at December 31, 2025, there was no outstanding balance with LJ Resources (December 31, 2024 - \$425,577 receivable).

Transactions with key management

The Company has identified its directors and 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,	
	2025	2024
Salaries and fees	\$ 168,999	\$ 202,786
	\$ 168,999	\$ 202,786

Transactions with Hebei Wenfeng

	Interest bearing loans (a)	Advances (b)	Total
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	(2,367,279)	-	(2,367,279)
As at December 31, 2024	122,391,217	1,959,900	124,351,117
Repayments	14,000,045	1,959,900	15,959,945
As at December 31, 2025	\$ 108,391,172	\$ -	\$ 108,391,172

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

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 and became the only interest-bearing loan creditor.

In 2025, a total of \$nil interest expense (2024 - \$12,855,870) and \$nil foreign exchange loss (2024 - \$9,449,368 gain), were recorded arising from the US dollar denominated interest-bearing loans.

ii) Advances

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In 2022, the Company received a loan of \$2,778,039 from LJ Resources, the other partner of the Welichem Partnership. 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.

During the year ended December 31, 2025, the Company repaid a total of \$15,959,945 (2024 - \$nil) to Hebei Wenfeng. As at December 31, 2025, there was no outstanding balance of advances owing to Hebei Wenfeng (December 31, 2024 - \$1,959,900).

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.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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.

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.

Site closure and reclamation provision

The site closure and reclamation provisions require significant judgement and involves the use of estimates and assumptions that are inherently uncertain. The provision represents the present value of expected future cash flows required to rehabilitate the Bucko Lake Mine.

Key assumptions used in determining the provision include the expected timing of reclamation activities, which is a significant judgement as it directly impacts the discounted future cash flows and the resulting present value of obligation. Additional assumptions include the estimated future costs of labour, materials, and services as well as inflation and discount rates. These estimates are subject to uncertainties and may be affected by changes in economic conditions, regulatory requirements, and other factors. As a result, actual expenditures may differ from the amounts currently estimated, and such differences could be material.

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, the recoverable amount is estimated as the higher of the fair value less costs of disposal and value in use.

The Company previously recognized impairment loss in respect to the Bucko Lake Mine and the Thompson Nickel Belt ("TNB"). During the year ended December 31, 2025, management identified indicators of impairment related to the remaining plant and equipment at the Bucko Lake Mine, primarily due to the absence of near-term development or production plans and prolonged care and maintenance status of the site. As a result, management determined that there are no expected future economic benefits from these assets in their current condition. Accordingly, the recoverable amount was determined to be nominal and the remaining plant and equipment were written down to \$nil.

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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

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.

Contingencies

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

CHANGE IN ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS

A summary of Material accounting information is disclosed on note 2 to the audited financial statements for the year ended December 31, 2025.

The accounting standards and interpretations have been published that are not mandatory for the current period and have been early adopted. These standards are not expected to have a material impact on the Company.

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CONTINGENCIES AND LEGAL MATTERS

The Company entered into a Purchase and Sale of Indebtedness Agreement dated July 2, 2025 with Pacifica Mortgage Investment Corporation (“Pacifica”), pursuant to which the Company acquired certain mortgage-related indebtedness, including associated security interests and rights, for total consideration of approximately \$25.2 million. The acquisition was completed at a discount to the face value of the underlying loan.

Subsequent to the acquisition, the borrower fully repaid the mortgage on or about August 25, 2025. As a result, the Company recognized total income of \$757,185 consisting of interest income of \$656,635 and \$100,550 representing the realization of the purchase discount, which has been included in interest income.

In September 2025, the borrower filed a civil claim alleging that the Company overcharged interest under the mortgage arrangement. The Company filed its response in October 2025, denying all allegations, and intends to vigorously defend its position. Management believes the claim is without merit; however, the ultimate outcome of the matter cannot be determined at this time. As of the date of these financial statements, no further actions have been taken by the claimant following the filing of the Company’s response.

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;

The required disclosure is presented on note 7 to the audited financial statements for the year ended December 31, 2022.

(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 loss and comprehensive loss for the year ended December 31, 2025.

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

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None

END OF THIS REPORT
