CANICKEL MINING LIMITED

Management's Discussion and Analysis

For the three months ended June 30, 2025

==

The Management's Discussion and Analysis (the "MD&A") focuses on significant factors that affected the performance of CANICKEL MINING LIMITED (the "Company") and such factors may also affect future performance. This document should be read in conjunction with the Company's unaudited condensed interim financial statements for the same period and the audited financial statements for the previous year, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are available on SEDAR at www.sedar.com. All figures are in Canadian dollars except for share data and where 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.

==

Prepared as at July 10, 2025

CAUTIONARY STATEMENT

Except for statements of historical fact relating to the Company, certain information contained herein constitutes forward-looking information. Any statements or information that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects”, “is expected”, “anticipates”, “believes”, “plans”, “projects”, “estimates”, “assumes”, “intends”, “strategies”, “targets”, “goals”, “forecasts”, “objectives”, “budgets”, “schedules”, “potential” or variations thereof or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements or information. Forward-looking statements or information are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those reflected in the forward-looking statements or information, including, without limitation, risks relating to fluctuating commodity prices, fluctuating currency exchange rates, permits and licenses, operations conditions, environmental risks, cyber security, and general economic conditions. This list is not exhaustive of the factors that may affect any of the Company’s forward-looking statements or information. Forward-looking statements or information are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those expressed or implied in the forward-looking statements or information. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated, described or intended. Accordingly, readers should not place undue reliance on forward-looking statements or information. The Company’s forward-looking statements and information are necessarily based on a number of estimates, assumptions, beliefs, expectations and opinions of management as of the date of this MD&A that, while considered reasonable by management of the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. These estimates, assumptions, beliefs, expectations and options include, but are not limited to, those related to the Company’s ability to carry on current and future operations, including: development and exploration activities; the timing, extent, duration and economic viability of such operations; the accuracy and reliability of estimates, projections, forecasts, studies and assessments; the Company’s ability to meet or achieve estimates, projections and forecasts; the availability and cost of inputs; the price and market for outputs; foreign exchange rates; taxation levels; the timely receipt of necessary approvals or permits; the ability to meet current and future obligations; the ability to obtain timely financing on reasonable terms when required; the current and future social, economic and political conditions; and other assumptions and factors generally associated with the mining industry. Other than as required by applicable securities laws, the Company does not assume any obligation to update forward-looking statements and information if circumstances or management’s assumptions, beliefs, expectations or opinions should change, or changes in any other events affecting such statements or information. For the reasons set forth above, investors should not place undue reliance on forward-looking statements and information.

DESCRIPTION OF BUSINESS

The Company is focused on the care and maintenance of its 100% owned Bucko Lake property (the "Bucko Lake Property") and other exploration assets (the "Exploration Properties") near Wabowden, Manitoba. The Bucko Lake Property consists of the formerly producing Bucko Lake Mine and associated mineral leases. Other Exploration Properties include additional mineral leases in the greater Thomson Nickel Belt region.

The Bucko Lake Property consists of four mineral leases, three surface leases and seven mining claims totaling 3,004 ha containing the formerly producing Bucko Lake Mine and several known historical satellite deposits, including the Bowden Lake, M11A and Apex deposits. The Company also holds the Halfway Lake property located 20 km away from the Bucko Lake Property. Together, the Bucko Lake and Halfway Lake properties make up the Thompson Nickel Belt properties (“TNB”).

The Bucko Lake mining lease is subject to a 2.5% net smelter return (“NSR”) held by Glencore Canada Corporation (“Glencore”), formerly Xstrata Nickel Inc. The Company also has an off-take agreement with Glencore whereby all concentrates produced from the Bucko Lake Mine must be sold to Glencore, which is currently the sole customer of the Company.

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

In 2017, the Company made an investment in Welichem Research General Partnership (the "Welichem Partnership") in partnership with LJ Resources Co., Ltd. ("LJ Resources"). The Company continues to explore other investment opportunities as they arise from time to time.

Going Concern

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. There is material uncertainty on the Company's ability to continue as a going concern. The Company has significant accumulated deficit and significant working capital deficiency and relies on continued funding from the Company’s largest shareholder and creditor, Hebei Wenfeng Industrial Company Limited (“Hebei Wenfeng”). In the event that Hebei Wenfeng discontinues its support and demands the repayment of its loans and advances, the Company would be insolvent and material adjustments would have to be made to these financial statements.

Due to the Company’s strained financial position, the Company has been evaluating strategic alternatives for the Bucko Lake Property and Exploration Properties. The Company signed an option agreement ("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.

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

EXPLORATION

The Exploration Properties and the mineral leases of the Bucko Lake Property have been deemed impaired and their carrying amount have been written off. The plant, building and equipment of the Bucko Lake Mine continue to be depreciated in normal course.

The Company's interest in the mineral leases of the Exploration Properties and those associated with the Bucko Lake Property are 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 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 Company's interest in the mineral leases of the Exploration Properties and those associated with the Bucko Lake Property are also subject to a 2.5% Net Smelter Return held by Glencore.

INVESTMENT IN ASSOCIATE

The Company owns 10 million Class A Preferred Units and 50 General Units of Welichem Research General Partnership (the "Welichem Partnership"). LJ Resources owns 10 million Class B Preferred Units and 50 General Units of the Welichem Partnership. The Company uses the equity method to account for its investment in 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 are 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.

The Welichem Partnership has minimal business activity, and its sole assets are contingent milestone payments associated with previous sales of research patents and mining equipment.

RESULTS OF OPERATIONS

Discussion and analysis of the results of operations is as follows.

Account	Discussion and Analysis
Net income / loss	Increased due to reduction in interest expenses by amendment of loan and advance agreement with Hebei Wenfeng and conversion of option agreement into other income.
Revenue	No change.
Care and maintenance costs	Increased slightly due to normal business fluctuations.
Loss from mine operations	No material change.
Finance costs	Decreased substantially due to the amendment of loan and advance agreement with Hebei Wenfeng.
General and administration	Increased slightly due to normal business fluctuations.
Exploration and evaluation expense	Decreased due to reduced exploration and evaluation activity.
Change in estimates for the reclamation provision	No changes were undertaken.
Legal and professional fees	Decreased due to normal business fluctuations.
Salary, consulting and management fees	No material change.
Shareholder communication and investor relations	No material change.
Share of loss in associate	No material change.

LIQUIDITY AND CAPITAL RESOURCES

Discussion and analysis of the Company's liquidity and capital resources are as follows.

Account	Discussion and Analysis
Cash on hand	Increased due to distribution from associate received.
Cash used in operating activities	Decreased due to writing-off of stale accounts receivables.
Cash received from financing activities	No change.
Cash used in investing activities	Increased due to distribution from associate received.
Working capital	Decreased due to writing-off of stale accounts receivables.
Shareholder's equity	Increased due to conversion of option agreement into other income.

The Company has significant accumulated deficit and significant working capital deficiency and relies on continued funding from the Company’s largest shareholder and creditor, Hebei Wenfeng Industrial Company Limited (“Hebei Wenfeng”). In the event that Hebei Wenfeng discontinues its support and demands the repayment of its loans and advances, the Company would be insolvent and material adjustments would have to be made to these financial statements.

RISKS AND UNCERTAINTIES

The Company manages its exposure to key financial risk in accordance with the Company's financial risk management framework. The objective of the framework is to protect the Company's future financial security. The main risks that could adversely affect the Company's financial assets, liabilities or future cash flows are liquidity risk, credit risk and market risk, which comprising foreign exchange rate risk, interest rate risk, and metal price risk. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis. Currently, the Company does not apply any form of hedge accounting.

Management constantly monitors and assesses the fluctuation of nickel price and US dollars. The Company does not have any off-balance sheet arrangements or commitments that are expected to have a current or future effect on its financial condition or results of operations, other than those disclosed in this MD&A and the accompanying unaudited condensed interim financial statements and the related notes.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk primarily associated to accounts receivable and cash. The carrying value of financial assets represents the maximum credit exposure. The Company undertakes credit evaluations on counterparties as necessary and has monitoring processes intended to mitigate credit risks. There are no amounts in receivables which are past due in any of the reported periods.

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. The company has limited funds to meet its short-term financial liabilities. Accordingly, additional financing is required for the Company to continue as a going concern. Based on the contractual obligations of the Company, cash outflow of these obligations are not discounted to account for the time value of money.

Market Risk

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

Interest rate risk

The Company has cash subject to fluctuations in interest rates. The Company's current policy is to invest excess cash in short-term deposits issued by financial institutions. Due to the financial conditions of the Company and the nature of the loans, which are owed to the largest shareholder of the Company, the fair value may not be reasonably estimated, and therefore the impact on the fair value of loans arising from the change of interest rate may not be reasonably estimated. Currently, the Company does not hedge against interest rate risk.

Foreign Currency Risk

The Canadian dollar has been identified as the functional currency of the Company and the financial statements are presented in Canadian dollars. As of 2025, there are no assets or liabilities held or recorded in any other currency. As such, no foreign exchange gains or losses and no foreign currency translations presentations are required.

Commodity Price Risk

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

In July 2012, the Company suspended its mining operation due to unfavourable nickel prices. The timing to resume mining operations would mainly depend on the nickel prices. As at March 31, 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 the nickel price would have a significant impact on the estimation of the fair value of the Company’s mineral properties.

Environmental Risk

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

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

Company could be subject to significant fines and penalties, and the Bucko Lake Mine could be required to be reclaimed immediately.

In 2021, the Company was charged $200,000 in fines for offences under the Fisheries Act (Canada) for an alleged “deposit of deleterious substances and an alleged failure to collect acute lethality samples” at the Bucko Lake Mine in 2017. The fine has been paid over four instalment payments of $50,000 every six months beginning on March 14, 2022. In 2022, the Company also reassessed the closure and reclamation obligation related to the Bucko Lake Mine, and the un-discounted obligation increased to $14,632,558 from $6,548,404 as at December 31, 2023. There has been no change to this estimation in 2024.

Environmental legislation is evolving, and the trend has been toward stricter standards and enforcement; increased fines and penalties for non-compliance; more stringent environmental assessments of proposed projects; and increasing responsibility for companies and their officers, directors and employees. Compliance with environmental laws and regulations may require significant capital outlays by 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.

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 system, 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 our 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 incident 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 geology data which could affect our ability to conduct effective mine planning and accurate mineral resources estimates, and loss of financial data which could affect our ability to provide accurate and timely financial reporting.

General Economic Conditions

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

RELATED PARTY TRANSACTIONS

Related party transactions are also disclosed in the accompanying financial statements.

Transactions with key management

The compensation cost for management, including fees paid or payable to company controlled by management are disclosed in the accompanying financial statements.

Transactions with LJ Resources

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. In 2025, the Company exchanged this receivable as well as its USD bank balance of USD $4,581.58 for certain mining equipment owned by LJ Resources. As a result of this exchange, the Company no longer had any non-Canadian dollar bank deposits and gained certain mining equipment.

Transactions with Hebei Wenfeng

Details of transactions with Hebei Wenfeng are disclosed in the accompanying financial statements.

In 2025, the Company entered into a Forbearance Agreement with Hebei Wenfeng under which the loan and advances outstanding to Hebei Wenfeng as of December 31, 2024, became denominated in Canadian Dollars and Hebei Wenfeng agreed to waive interest on the loans and advances for the 2025 year. The loans and advances remained unsecured.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies and estimates are disclosed in the accompanying financial statements.

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

The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its unaudited condensed interim financial statements. In addition, the preparation of the financial data requires that the Company's management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The critical judgments and estimates applied in the preparation of these condensed interim financial statements are consistent with those applied and disclosed in the accompanying financial statements and the previous audited financial statements.

ADDITIONAL DISCLOSURES

Contingencies and Legal Matters

In 2017, the Company was charged with offences under the Canadian Fisheries Act for certain alleged infractions at the Bucko Lake Mine. In 2022, the Company pleaded guilty and accepted a total fine of $200,000, which were fully paid in four instalments by the end of 2023.

Outstanding Share Data

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

Off-Balance Sheet Items

There are no off-balance sheet items.

Proposed Transactions

There are no proposed assets or business acquisition or disposition.