

CANICKEL MINING LIMITED

Unaudited Condensed Interim Financial Statements

for the three months ending March 31, 2025

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NOTES TO READER

These unaudited condensed interim financial statements of CANICKEL MINING LIMITED (the "Company") have been prepared by the management of the Company and have not been reviewed by the Company's independent auditors. Therefore, they should be read in conjunction with the Company's most recent audited financial statements available on SEDAR at www.sedar.com. The accompanying notes form an integral part of these unaudited condensed interim financial statements. All figures are expressed in Canadian dollars except for share data and where otherwise stated.

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Going concern (Note 1)

Contingencies and Legal Matters (Note 3)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

Wenfeng Liu, Director

Myles Gao, Director

Condensed Interim Statement of Financial Position

In Canadian dollars	Notes	March 31, 2025	December 31, 2024
ASSETS			
Current			
Cash		732,052	398,488
Receivables and prepaid expenses	8	6,664	444,085
		738,716	842,573
Non-Current			
Mineral properties, plant and equipment	4	2,816,523	2,614,558
Reclamation deposit	5	2,537,374	2,537,374
Investment in associate	6	23,291,001	23,791,001
		29,383,614	29,785,506
LIABILITIES			
Current			
Accounts payable and accrued liabilities	8	37,557	248,020
Option agreement deposit	4	-	1,216,338
Loans and advances from related parties	7	124,351,117	124,351,117
		124,388,674	125,815,475
Non-Current			
Site closure and reclamation provisions	5	8,175,761	8,108,259
		132,564,435	133,923,734
SHAREHOLDER'S DEFICIENCY			
Share capital	3	186,952,654	186,952,654
Share-based payment reserve		32,873,345	32,873,345
Accumulated deficit		(323,060,708)	(323,964,227)
Total shareholder's deficiency		(103,180,821)	(104,138,228)
		29,383,614	29,785,506

Statement of Income (Loss) and Comprehensive Income (Loss)

		Three months ended March 31	
In Canadian dollars, except for share data	Notes	2025	2024
Care and maintenance costs		(69,328)	(57,761)
Depreciation		(240,953)	(263,387)
Loss from mine operations		(310,281)	(309,948)
Finance costs	8	(67,501)	(5,735,856)
General and administration		(9,215)	(1,683)
Exploration and evaluation expenses	4		(25,496)
Change in estimates for the reclamation provision	5		
Legal and professional fees		(620)	(30,000)
Salaries, consulting and management fees	3	(26,775)	(25,500)
Shareholder communications and investor relations		(3,252)	(8,167)
Share of profit in associate	6		
Interest income		14,720	-
Other income	4	1,360,331	11,200
Net income (loss) and comprehensive income (loss) for the period		957,408	(6,136,650)
Income (loss) per share - basic and diluted		0.03	(0.16)
Weighted average number of shares - basic and diluted		37,520,369	37,520,369

Condensed Interim Statement of Changes in Shareholder's Deficiency

	Common shares		
In Canadian dollars except for share data	Number of shares issued	Share capital	Share-based payment reserve
January 1, 2024	37,520,369	186,952,654	32,873,345
March 31, 2024	37,520,369	186,952,654	32,873,345
December 31, 2024	37,520,369	186,952,654	32,873,345
March 31, 2025	37,520,369	186,952,654	32,873,345

In Canadian dollars except for share data	Accumulated Deficit	Total Deficiency
January 1, 2024	(325,898,159)	(106,072,160)
Income (loss) for the period	(1,933,932)	(1,933,932)
December 31, 2024	(323,964,227)	(104,138,228)
Income (loss) for the period	957,408	957,408
March 31, 2025	(323,060,708)	(103,180,821)

Condensed Interim Statement of Cash Flows

		Three months ended March 31	
In Canadian dollars except for share data	Notes	2025	2024
OPERATING ACTIVITIES			
Net loss for the period		957,408	(6,136,650)
Items not affecting cash:			
Accretion of site closure and reclamation provisions		67,501	70,245
Depreciation		240,953	263,387
Unrealized foreign exchange expense (gain)		-	2,652,656
Interest expenses accrued		-	3,013,118
Exploration and evaluation expenses		-	25,496
Adjustments to reclamation provision		-	-
Share of profit in associate	6	-	-
Other income	4	(1,216,338)	
Net change in non-cash working capital	8	(250,078)	(405)
		(200,554)	(112,153)
FINANCING ACTIVITIES			
Advance to related parties	7	-	-
Repayment to related parties	7	-	-
Repayment to a shareholder		-	-
		-	-
INVESTING ACTIVITIES			
Purchase of mineral properties, plant and equipment	4	31,770	(25,496)
Proceeds received from mineral option agreement	4	-	
Distribution from associate	6	500,000	
		531,770	(25,496)

		Three months ended March 31	
In Canadian dollars except for share data	Notes	2025	2024
Change in Cash		333,564	(137,649)
Cash, beginning of the period		398,488	567,078
Cash, end of the period		732,052	429,429
Supplemental Information			
Interest paid		-	-
Income taxes paid		-	-

NOTES

1. CORPORATE INFORMATION

CANICKEL MINING LIMITED is a Canadian resource company 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 Mine achieved commercial production in 2009 and was placed into care and maintenance in 2012. Since then, the Company has carried out minimal exploration work to maintain mineral leases in good standing and safeguard the Company's 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 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.

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.

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.

c) Income (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.

d) Functional currency

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.

c) Significant Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions. 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.

Mineral properties, plant and equipment

Mineral properties, plant and equipment are recorded at cost less accumulated depreciation, depletion and amortization, and accumulated impairment losses. 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 of 20 years for Buildings and 3 to 10 years for Equipment.

The Company assesses the Bucko Lake Properties and Exploration Properties each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, an estimate of the recoverable amount is made using the fair value less costs of disposal ("FVLCD"). Fair value estimates are based on discounted cash flows or the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

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 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.

Investment in associate

The Company applies the equity method to account for its investments in the Welichem Partnership because it has significant influence in the Welichem Partnership. 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.

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.

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.

3. SUPPLEMENTAL DISCLOSURES

a) 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.

b) Share capital

The authorized share capital of the Company includes unlimited common shares without par value and unlimited Class A and Class B preferred shares without par value. During the periods reported, no Class A and Class B preferred shares are issued and outstanding and no common shares were reserved or issued.

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. During the periods reported, no option was granted and no option remained outstanding.

c) Contingencies and legal matters

In 2017, the Company was charged with offenses 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 was fully paid by the end of 2023.

d) Financial instruments

The financial instruments of the Company consist only of cash and the reclamation deposit, both of which are valued using quoted market prices of cash.

Fair value measurement	March 31, 2025	December 31, 2024
Cash	\$732,052	\$398,488
Reclamation deposit	\$2,537,374	\$2,537,374

e) Related party transactions

Transactions with management

The compensation cost for management, including fees paid or payable to companies controlled by management, is found below.

	Three months ended March 31,	
	2025	2024
Salaries and fees	\$26,775	\$25,500

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 found below under Loans and Advances from Related Parties.

4. MINERAL PROPERTIES, PLANT AND EQUIPMENT

	Bucko Lake Property		Exploration Properties	
Cost	Plant, building and equipment	Mineral leases		Total
December 31, 2023	77,653,532	99,256,989	23,587,522	200,498,043
Additions	-	-	-	-
Adjustments	(222,352)	(518,824)	-	(741,176)
December 31, 2024	77,431,180	98,738,165	23,587,522	199,756,867
Additions	442,918	-	-	442,918
Adjustments	-	-	-	-
March 31, 2024	77,874,098	98,738,165	23,587,522	200,199,785

	Bucko Lake Property		Exploration Properties	
Accumulated Depreciation	Plant, building and equipment	Mineral leases		Total
December 31, 2023	73,763,090	99,256,989	23,587,522	196,607,601
Depreciation	1,053,532	-	-	1,053,532
Adjustments	-	(518,824)	-	(518,824)
December 31, 2024	74,816,622	98,738,165	23,587,522	197,142,309
Depreciation	240,953	-	-	240,953
Adjustments	-	-	-	-
March 31, 2025	75,057,575	98,738,165	23,587,522	197,383,262

	Bucko Lake Property		Exploration Properties	
Net Book Value	Plant, building and equipment	Mineral leases		Total
December 31, 2024	2,614,558	-	-	2,614,558

	Bucko Lake Property		Exploration Properties	
Net Book Value	Plant, building and equipment	Mineral leases		Total
March 31, 2024	2,816,523	-	-	2,816,523

Exploration Properties

Management has determined that the carrying amount of the Exploration Properties exceeded its recoverable amount and its carrying amount was written off based on an estimate of FVLCD as the Company has no plans to carry further exploration program. 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).

Bucko Lake Property

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. Management has determined that the carrying amount of the mineral leases associated with the Bucko Lake Property exceeded its recoverable amount and its carrying amount was written off based on an estimate of FVLCD. The Bucko Lake Mine plant, building and equipment continue to be carried at cost and depreciated.

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, licenses, 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 \$1,267,337 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.

5. SITE CLOSURE AND RECLAMATION PROVISIONS

	March 31, 2025	December 31, 2024
Balance, beginning of period	8,108,259	8,590,017
Accretion	67,501	259,419
Change in estimates	-	(741,177)
Balance, end of period	8,175,760	8,108,259

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

The un-discounted, 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 with a corresponding decrease in the site closure and reclamation provision.

Reclamation deposit

In March 2021, the Company paid \$2,000,000 to the Government of Manitoba as a reclamation deposit for the Company's Bucko Lake Mine. As at March 31, 2024, a total of \$2,537,374 in reclamation deposits were paid in accordance with the requirements of the Government of Manitoba. These funds are not available to finance the Company's day-to-day operations and recorded as non-current assets on the statements of financial positions.

6. INVESTMENT IN ASSOCIATE

	March 31, 2025	December 31, 2024
Investment amount	10,000,000	10,000,000
Accumulated share of income	74,292,963	74,292,963
Distribution received	(61,001,962)	(60,501,962)
Total	23,291,001	23,791,001

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.

7. LOANS AND ADVANCES FROM RELATED PARTIES

	Loans	Advances	Total
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)
December 31, 2024	122,391,217	1,959,900	124,351,117
Interest accrued	-	-	-
Conversion	(122,391,217)	122,391,217	-
March 31, 2025	-	124,351,117	124,351,117

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 Investments Limited ("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.

Advances

Hebei Wenfeng has advanced funds to the Company to support the Company's operations. The advances bear no interest and are repayable on demand.

In 2021, the Company received an advance of \$2,000,000 from LJ Resources. As at December 31, 2024, the total outstanding balance with LJ Resources was a \$425,577 receivable (2023:

\$1,108,868 payable). In 2025, the advance receivable was exchanged for certain mining equipment.

In 2025, the Company amended its loan and advance agreements with Hebei Wenfeng to convert all loans from USD to CAD dollars and from interest-bearing loans to interest-free advances payable on demand. In exchange for this amendment, the advances gained security over all of the assets of the Company.

8. SUPPLEMENTAL INFORMATION

Finance costs

	Three months ended March 31,	
	2025	2024
Accretion for site closure and reclamation provision	\$67,501	\$70,245
Foreign exchange loss (gain)	-	\$2,652,493
Interest expense	-	\$3,013,118
	\$67,501	\$5,735,856

Receivables and prepaid expenses

	Three months ended March 31,	
	2025	2024
Taxes receivable	\$6,664	\$9,498
Prepaid expenses	\$0	\$5,958
	\$6,664	\$15,456

Financial obligations

	Payment due by period			
	Less than 1 year	1-3 years	3+ years	Total
Accounts payable and accrued liabilities	\$60,767	-	-	\$60,767
Advance from Hebei Wenfeng	\$124,351,117	-	-	\$124,351,117
Total	\$124,411,884	-	-	\$124,411,884

Working Capital

Net change in non-cash working capital	Three months ended March 31,	
	2025	2024
Decrease in receivables and prepaid expenses	(\$437,421)	(\$8,022)
Decrease in accounts payable and accrued liabilities	\$187,343	\$7,617
	(\$250,078)	(\$405)