



Canada Nickel Company Inc.

Condensed Interim Consolidated Financial Statements

For the Three Months Ended January 31, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise noted)

Canada Nickel Company Inc.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

Unaudited

	Note	January 31 2022	October 31 2021
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		3,579,219	3,334,643
Harmonized sales tax receivable		1,514,115	3,300,595
Accounts receivable		352,700	352,700
Prepaid expenses		428,824	430,226
Total current assets		5,874,858	7,418,164
Non-current assets			
Exploration and evaluation assets	4	77,844,467	47,304,907
Equipment and right-of-use assets	5	603,284	527,784
Total assets		84,322,609	55,250,855
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	12,13	6,235,024	6,992,243
Short-term loan facility	6	12,453,471	
Flow-through share premium	7(a)	-	959,399
Total liabilities		18,688,495	7,951,642
Shareholders' equity			
Share capital	7	69,292,758	51,036,468
Share-based compensation and warrant reserves	8,9,10	7,328,831	5,718,120
Deficit		(10,987,475)	(9,455,375)
Total shareholders' equity		65,634,114	47,299,213
Total liabilities and shareholders' equity		84,322,609	55,250,855

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Nature of operations and going concern (Note 1)

Commitments and contingencies (Note 13)

Subsequent events (Note 15)

Signed on behalf of the Board:

"Mark Selby"

Mark Selby, Director

"David Smith"

David Smith, Director

Canada Nickel Company Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

Unaudited

For the Three Months Ended January 31

	Note	2022 \$	2021 \$
Expenses			
Salaries and management fees	12	254,845	141,560
General and administrative costs		242,497	223,859
Professional fees		111,915	107,650
Consulting and advisory		230,301	304,964
Promotion and communication		128,658	134,992
Investor relations and marketing		76,980	65,323
Share-based compensation	9,10	1,001,748	686,286
Travel and other		4,901	5,410
Transaction costs, interest and accretion expense	6	439,654	-
		2,491,499	1,670,044
Flow-through share premium	7(a)	(959,399)	(282,027)
Net loss and comprehensive loss		1,532,100	1,388,017
Loss per share – basic and diluted	11	\$0.02	\$0.02
Weighted average number of shares outstanding		91,160,063	80,097,896

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Canada Nickel Company Inc.
Condensed Interim Consolidated Statements of Cash Flow
(Expressed in Canadian Dollars)
Unaudited

For the Three Months Ended January 31

	Note	2022 \$	2021 \$
Operating activities			
Net loss		(1,532,100)	(1,388,017)
Add – transaction costs included in financing activities		136,700	-
Adjustments for non-cash items:			
Share-based compensation		1,001,748	686,286
Flow-through share premium		(959,399)	(282,027)
Accretion on short-term loan facility	6	189,455	-
Changes in non-cash working capital items:			
Harmonized sales tax receivable		1,786,480	(373,712)
Prepaid expenses		1,402	(105,959)
Accounts payable and accrued liabilities		340,768	159,742
Net cash provided by (used in) operating activities		965,054	(1,303,687)
Investing activities			
Exploration and evaluation expenditures	4	(12,970,989)	(2,281,479)
Purchase of equipment	5	(51,574)	(35,161)
Net cash used in investing activities		(13,022,563)	(2,316,640)
Financing activities			
Proceeds from short-term loan facility, net of transaction costs	6	12,302,085	-
Share issuance costs		-	(115,000)
Proceeds from exercise of warrants	8	-	72,833
Net cash provided by (used in) financing activities		12,302,085	(42,167)
Cash and cash equivalents, beginning of period		3,334,643	11,167,265
Net change in cash and cash equivalents		244,576	(3,662,494)
Cash and cash equivalents, end of period		3,579,219	7,504,771
Supplementary disclosure			
Value of shares issued for acquisitions	4	16,971,090	-
Value of shares issued for settlement of accounts payable	7(b)	-	391,750

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Canada Nickel Company Inc.

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

Unaudited

	Note	Number of common shares	Share capital	Share-based compensation reserve	Warrants reserve	Deficit	Total
		#	\$	\$	\$	\$	\$
Balance, October 31, 2020		79,939,316	30,729,738	1,165,057	2,574,426	(3,077,272)	31,391,949
Share issuance - warrants exercised	8	152,094	182,566	-	(69,019)	-	113,547
Fair value of share-based compensation	9,10	-	-	686,286	-	-	686,286
Shares issued to settle 2020 accounts payable		192,781	-	-	-	-	-
Shares issued to settle 2021 accounts payable		50,000	114,500	-	-	-	114,500
Shares to be issued to settle accounts payable		-	239,513	-	(64,513)	-	175,000
Net loss for the three months ended January 31		-	-	-	-	(1,388,017)	(1,388,017)
Balance, January 31, 2021		80,334,191	31,266,317	1,851,343	2,440,894	(4,465,289)	31,093,265
Balance, October 31, 2021		88,383,650	51,036,468	5,551,009	167,111	(9,455,375)	47,299,213
Share issuance – restricted share units exercised	10	50,000	53,200	(53,200)	-	-	-
Share issuance - acquisitions	4	5,164,000	16,971,090	-	-	-	16,971,090
Fair value of warrants issued	6	-	-	-	283,140	-	283,140
Fair value of share-based compensation	9,10	-	-	1,380,771	-	-	1,380,771
Shares to be issued to settle accounts payable	7(b)	-	1,232,000	-	-	-	1,232,000
Net loss for the three months ended January 31		-	-	-	-	(1,532,100)	(1,532,100)
Balance, January 31, 2022		93,597,650	69,292,758	6,878,580	450,251	(10,987,475)	65,634,114

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Canada Nickel Company Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three months ended January 31, 2022 and 2021

1. Nature of operations and going concern

Canada Nickel Company Inc. ("Canada Nickel" or the "Company") was incorporated on October 11, 2019 under the laws of the Province of Ontario, Canada, and its head office is located at 130 King Street West, Suite 1900, Toronto, Ontario, M5X 1E3.

On February 27, 2020, the Company's common shares commenced trading on the TSX Venture Exchange ("TSX-V") under the symbol "CNC" and its common shares also trade on the OTCQX Best Market under the symbol "CNIKF".

On July 21, 2020, the Company incorporated a wholly owned subsidiary NetZero Metals Inc.

The Company is engaged in the exploration and discovery of nickel sulphide assets to deliver future supply for the high growth electric vehicle, green energy and stainless steel markets. The Company owns 100 per cent of the Crawford Nickel Sulphide Project ("Crawford" or "the Project"), which is located adjacent to major infrastructure in the world class Timmins-Cochrane mining camp of northern Ontario, Canada. The Company also owns 19 additional nickel targets located near the Project.

These condensed interim consolidated financial statements have been prepared on the basis of a going concern, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As the Company has no revenue producing mines, the Company's ability to continue as a going concern is dependent upon its ability to raise funds in the capital markets, or through the sale of assets. The Company is in the exploration and evaluation stage and as is common with many exploration companies, it raises financing for its exploration and acquisition activities in discrete tranches. The Company has a working capital deficit balance of \$12,813,637 at January 31, 2022, and has incurred losses and negative cashflows from operations and has an accumulated deficit of \$10,987,475. The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or generate operating profitability and positive cash flow. There can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate financing, the Company may be required to curtail operations, exploration, and development activities. All of these outcomes are uncertain and taken together indicate the existence of material uncertainties that may cast significant doubt over the ability of the Company to continue as a going concern.

As at January 31, 2022, the Company did not have sufficient cash on hand to meet operational expenses for the next twelve months, but on March 9, 2022 announced that it would enter into a \$45 million equity financing expected to close in early April 2022. The Company will use the funds to repay the bridge loan facility and continue to execute its business plan and complete the feasibility study for Crawford. The Company may increase or decrease expenditures as necessary to adjust to a changing capital market environment.

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

Canada Nickel Company Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three months ended January 31, 2022 and 2021

1. Nature of operations and going concern (continued)

Due to the worldwide COVID-19 outbreak, material uncertainties may come into existence that could influence management's going concern assumption. Management cannot accurately predict the future impact COVID-19 may have on various external factors such as; global oil prices, demand for base metals, labour availability, availability of essential supplies, value of the Canadian dollar and the ability to obtain funding. At the date of the approval of these condensed interim consolidated financial statements, the Canadian government has not introduced measures which impede the activities of the Company. Management believes the business will continue and accordingly, the current situation bears no impact on management's going concern assumption. However, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

The condensed interim consolidated financial statements were approved by the Board of Directors on March 31, 2022.

2. Significant accounting policies

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, and do not include all of the information required for annual consolidated financial statements. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed. These condensed interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended October 31, 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The condensed interim consolidated financial statements include the financial statements of Canada Nickel and its subsidiary, NetZero Metals Inc., from its respective date of control. All intercompany transactions and balances are eliminated on consolidation.

In the preparation of these condensed interim consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

Canada Nickel Company Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three months ended January 31, 2022 and 2021

3. Capital management

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its expenditure obligations for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages the capital structure and adjusts it in light of changes in economic and industry conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach in the period. The Company considers its Shareholders' Equity as capital which as at January 31, 2022 is \$65,634,114.

4. Exploration and evaluation assets

	Balance October 31 2020	Additions for the three months ended January 31 2021	Balance January 31 2021	Balance October 31 2021	Additions for the three months ended January 31 2022	Balance January 31 2022
	\$	\$	\$	\$	\$	\$
Acquisition costs:						
Cash paid/payable	2,500,000	-	2,500,000	2,695,000	537,000	3,232,000
Loan forgiven	-	-	-	160,224	-	160,224
Shares issued/to be issued	8,615,000	-	8,615,000	9,481,020	18,203,090	27,684,110
Drilling	4,900,706	1,275,515	6,176,221	17,682,223	7,203,737	24,885,960
Assays	1,194,109	227,248	1,421,357	2,614,091	365,884	2,979,975
Geological	1,537,304	161,992	1,699,296	2,672,133	609,434	3,281,567
Consulting	436,961	358,408	795,369	3,363,238	1,887,755	5,250,993
Mineralogy	464,059	469,605	933,664	2,755,611	518,545	3,274,156
Access road	-	-	-	1,697,555	-	1,697,555
Obligations to stakeholders	332,743	151,810	484,553	1,344,849	245,236	1,590,085
Support costs	307,746	293,022	600,768	2,838,963	968,879	3,807,842
	20,288,628	2,937,600⁽¹⁾	23,226,228	47,304,907	30,539,560⁽¹⁾	77,844,467

(1) Cash flow spend as per the condensed interim consolidated statements of cash flows excludes non-cash payments and net payables.

Canada Nickel Company Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three months ended January 31, 2022 and 2021

4. Exploration and evaluation assets (continued)

Crawford Nickel-Cobalt Sulphide Project ("Crawford")

In October 2019, Noble, Canada Nickel, Spruce Ridge and certain private investors entered into a binding letter of intent and a subsequent Implementation Agreement on November 14, 2019, to facilitate Canada Nickel's consolidation of 100% ownership of Crawford.

Under the terms of the Implementation Agreement a series of transactions were completed to consolidate Crawford. Following which, on November 29, 2019, the Company entered into a definitive agreement with Noble, Spruce Ridge and certain private investors to acquire and consolidate Crawford for consideration of \$2 million cash paid to Noble, 12,000,000 common shares issued to Noble at an ascribed fair value of \$3,000,000, and 20,000,000 common shares issued to Spruce Ridge at an ascribed fair value of \$5,000,000.

Crawford Annex and Option Agreement with Noble

On May 22, 2020, the Company closed a definitive agreement with Noble to acquire an additional property and enter into option agreements on five other targets near Crawford.

The Company paid Noble \$500,000 in cash and issued 500,000 Canada Nickel common shares (ascribed a fair value of \$615,000) to acquire the Crawford Annex property and the option to earn up to an 80% interest in five additional nickel targets within Noble's Project 81 land package. The Crawford Annex comprises 4,909 hectares in Crawford and Lucas township and the five option areas (Crawford-Nesbitt-Aubin, Nesbitt North, Aubin-Mahaffy, Kingsmill-Aubin, and MacDiarmid) ("Option Properties") range in size of 903 to 5,543 hectares.

On March 4, 2021, the Company entered into an agreement with Noble to consolidate ownership of the additional claims adjacent to the original MacDiarmid property option acquired in May 2020 (MacDiarmid Claims) through a new option agreement (MacDiarmid Option).

In exchange for the MacDiarmid Option, the Company (i) issued 200,000 common shares of Canada Nickel to Noble (valued at \$674,000), (ii) forgave the \$160,224 loan owed by Noble to Canada Nickel, (iii) is taking all steps as are commercially reasonable to transfer \$500,000 in assessment credits to Noble; and (iv) provided a net smelter return of up to 1.75% to Noble.

On December 17, 2021, the Company acquired from Noble, the Option Properties and the MacDiarmid Option (the "Transaction") plus additional claims held by Noble. Under the terms of the Transaction, the option agreements with Noble were terminated and Canada Nickel acquired 100% of the optioned claims and other interests in return for 3.5 million of the Company's common shares. The Transaction also provides Canada Nickel with the right to re-purchase 1% (half) of the 2% royalty held by Noble in respect of certain properties for a re-purchase price of \$1.5 million per property if re-purchased during the one-year period after closing, increasing to \$2.5 million per property if re-purchased during the second year after closing. Canada Nickel owns 100% of six additional properties – Crawford/Nesbitt/Aubin, Nesbitt North, Aubin/Mahaffy, Kingsmill/Aubin, MacDiarmid and Bradburn/Dargavel.

Canada Nickel Company Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three months ended January 31, 2022 and 2021

4. Exploration and evaluation assets (continued)

Acquisition of additional properties

On November 22, 2021, the Company announced the acquisition of 13 additional target properties within a 95 kilometre radius of Crawford and on February 15, 2022, the Company announced that it entered into four additional purchase and option agreements (see Note 15 Subsequent events). The consolidation of these properties underscores the Company's belief in the district-scale potential of the Timmins region.

The Company negotiated 21 separate agreements to directly acquire or earn-in to the properties. Under these agreements, Canada Nickel has agreed to issue the shares and pay the cash listed in the table below and in most agreements has agreed that each of the sellers will retain a net smelter royalty ("NSR") that ranges between 1% and 2%, with Canada Nickel having the right to re-purchase 50% of the royalty for \$500,000 (with respect to a 1% NSR) or \$1 million (with respect to a 2% NSR).

On signing, the Company will pay an aggregate of \$607,000 in cash and issue an aggregate 2,420,000 common shares of the Company. As of March 31, 2022, \$462,000 of this cash (\$337,000 in the first quarter of 2022) has been paid and 2,033,000 common shares (1,664,000 common shares in the first quarter of 2022) issued. The table below also shows the additional aggregate payments required to maintain the acquisition or earn-in to the properties post signing.

	Cash	Shares
	\$	#
On signing	607,000	2,420,000
Fiscal year 2022	100,000	-
Fiscal year 2023	415,000	976,000
Fiscal year 2024	325,000	245,000
Fiscal years 2025 and 2026	700,000	245,000
	2,147,000	3,886,000

In addition, there are commitments to fund exploration expenditures of at least \$2.3 million in fiscal 2023 and \$3.7 million in fiscal 2025/2026 on certain properties to earn-in. Fiscal year 2023 includes a loan payment for \$200,000 and an obligation to issue 350,000 common shares of Canada Nickel for one of the purchased properties (note 7(b)) due in December 2022.

Also included in the table above is an agreement with Noble to earn-in and acquire up to an 80% interest in approximately 625 single cell mining claims (the "Claims") in Mann, Hanna, Duff and Reaume Townships (the "Option Agreement") and to acquire 198 mineral rights only patented properties in Kingsmill and Mabee Townships. The definitive agreement was completed in February 2022 with Noble. The Option Agreement requires an initial payment to Noble of \$100,000 and 250,000 Common Shares (included in the table above but not yet paid for at March 31, 2022), and provides Canada Nickel the right to acquire a 60% interest in the Claims by incurring at least \$500,000 of exploration expenditures on the properties by approximately December 31, 2022, and also making a further payment to the Company of \$350,000, or at Noble's option the issuance to Noble of 150,000 common shares of Canada Nickel in lieu of that cash payment. After earning that 60% interest, Canada Nickel would have the option to increase its interest in the claims to 80% by incurring additional exploration expenditures of at least \$1,200,000 on the properties by approximately July 15, 2025. In addition, Noble will receive four annual payments of \$100,000 and retain a 2% net smelter return royalty on the 304 staked claims that are subject to the Option Agreement (subject to Canada Nickel having the right to purchase 50% of that royalty for a payment of \$1,000,000). Noble will also retain the right to purchase up to 25% of the 2% royalty held by third parties on other parts of the claims that are subject to the Option Agreement (with Canada Nickel having the right to purchase another 25% of those royalties).

Canada Nickel Company Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three months ended January 31, 2022 and 2021

5. Equipment and right-of-use assets

	Right-of-use assets	Equipment	Total
	\$	\$	\$
Balance, October 31, 2020	-	35,161	35,161
Additions	140,768	431,917	572,685
Depreciation	(25,742)	(54,320)	(80,062)
Balance, October 31, 2021	115,026	412,758	527,784
Additions	63,117	51,574	114,691
Depreciation	(16,647)	(22,544)	(39,191)
Balance, January 31, 2022	161,496	441,788	603,284

Depreciation for equipment and right-of-use assets is recorded in Exploration and evaluation assets on the condensed interim consolidated statements of financial position. At January 31, 2022 a lease liability of \$164,442 (October 31, 2021 - \$117,031) related to the right-of-use assets is recorded in Accounts payable and accrued liabilities.

6. Short-term loan facility

On January 5, 2022, the Company closed a secured loan facility with Auramet International LLC ("Auramet") for US\$10 million. The loan is secured and matures on April 5, 2022, subject to the Company's right to extend the loan for a further three-month period at its option. Interest expense accrues on the unpaid principal amount at a rate of 12% per annum monthly in arrears. Interest of \$113,499 was expensed in January in Transaction costs, interest and accretion expense in the Condensed interim consolidated statements of loss and comprehensive loss.

The Company paid an arrangement fee equal to 2 percent of the loan amount and issued 325,000 common share purchase warrants ("Auramet warrants"). Each of the Auramet warrants entitles Auramet to acquire one common share of the Company at a price of \$3.94 per share until January 5, 2023.

The Auramet warrants issued were assigned an aggregate fair value of \$283,140 using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, expected volatility 65%, risk-free rate of return 1.0% and expected one year life. The fair value of the warrants as well as the arrangement fee and other transaction costs were recorded as a reduction to the loan facility and is being amortized over the three-month maturity in Transaction costs, interest and accretion expense in the Condensed interim statements of loss and comprehensive loss. Accretion of these transaction costs accrues at a rate of 18% per annum for the three-month term of the facility, of which \$189,455 was expensed in January.

For the three months ended January 31, 2022 and 2021

Canada Nickel Company Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three months ended January 31, 2022 and 2021

8. Warrants and compensation options

The following table reflects the continuity of warrants and compensation options for the three months ended January 31, 2022 and 2021:

	Number of warrants	Number of compensation options
	#	#
Balance, October 31, 2020	3,127,174	498,000
Exercised	(152,094)	-
Balance, January 31, 2021	2,975,080	498,000
Balance, October 31, 2021	170,460	26,550
Issued (note 6)	325,000	-
Balance, January 31, 2022	495,460	26,550

In the three months ended January 31, 2021, the Company received \$72,833 from the exercise of warrants. No warrants were exercised in the three months ended January 31, 2022.

The following table reflects the warrants and compensation options outstanding as at January 31, 2022 and October 31, 2021:

Grant Date	Exercise Price	Outstanding as at October 31 2021	Outstanding as at January 31 2022	Expiry Date	Remaining Life (years)
	\$				
May 5, 2020 broker warrants	0.35	4,612	4,612	5-Nov-22	0.8
May 5, 2020 broker warrants	0.40	45,320	45,320	5-Nov-22	0.8
May 5, 2020 broker warrants	0.46	58,278	58,278	5-Nov-22	0.8
October 14, 2020 compensation options	1.50	26,550	26,550	14-Oct-22	0.8
Warrants issued from exercise of compensation options	2.10	40,125	40,125	30-Sept-22	0.8
Warrants issued from exercise of compensation options	2.10	22,125	22,125	14-Oct-22	0.8
Warrants issued with bridge financing	3.94	-	325,000	5-Jan-23	0.9
	2.87	197,010	522,010		0.9

Canada Nickel Company Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three months ended January 31, 2022 and 2021

9. Stock options

The following table reflects the continuity of stock options for the three months ended January 31:

	2021	2022
	#	#
Balance, beginning of fiscal period	4,850,000	5,221,585
Stock options granted	460,000	321,500
Forfeited	-	(66,666)
Balance, January 31	5,310,000	5,476,419

The following table reflects stock options outstanding as at January 31, 2022 and October 31, 2021:

Grant Date	Exercise Price	Outstanding as at October 31 2021	Outstanding as at January 31 2022	Vested and outstanding as at January 31 2022	Expiry Date	Remaining Life (years)
	\$	#	#			
January 13, 2020	0.25	3,184,585	3,184,585	1,975,416	13-Jan-25	3.0
February 18, 2020	0.25	275,000	275,000	91,666	18-Feb-25	3.1
August 12, 2020	1.87	60,000	60,000	20,000	12-Aug-25	3.6
October 27, 2020	1.62	337,500	337,500	112,500	27-Oct-25	3.8
November 1, 2020	1.62	360,000	360,000	120,000	1-Nov-25	3.8
December 8, 2020	1.88	100,000	100,000	33,334	8-Dec-25	3.8
February 22, 2021	3.63	704,500	704,500	-	22-Feb-26	4.1
June 16, 2021	3.57	65,000	65,000	-	16-June-26	4.4
June 23, 2021	3.39	35,000	35,000	-	23-June-26	4.4
July 1, 2021	3.54	100,000	33,334	-	1-July-26	4.4
November 15, 2021	2.95	-	61,500	-	15-Nov-26	4.8
December 22, 2021	3.49	-	160,000	-	22-Dec-26	4.9
January 24, 2022	3.51	-	100,000	-	24-Jan-27	5.0
		5,221,585	5,476,419	2,352,916		3.4
Weighted average exercise price		\$1.06	\$1.17			

The options vest at a rate of one third on the anniversary date of the grant, and a further one third each year thereafter. Each stock option converts into one common share of the Company upon exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither right to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The Company, at its discretion, may settle stock options exercised through the issuance of common shares from treasury or cash.

The Company recorded share-based compensation expense related to stock options of \$449,846 for the three months ended January 31, 2022 (\$267,127 for the three months ended January 31, 2021) to the interim consolidated statements of loss and comprehensive loss and recorded \$150,482 of share-based compensation expense as an increase to exploration and evaluation asset on the Condensed interim consolidated statements of financial position. No options were exercised in the three months ended January 31, 2022 and 2021.

Canada Nickel Company Inc.

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9. Stock options (continued)

The following table summarizes the average assumptions used in the Black-Scholes valuation model for the determination of the cost of stock options issued during the year ended October 31, 2021 and the three months ended January 31, 2022.

	Year ended October 31 2021	Three months ended January 31 2022
Risk free interest rate	0.34%	1.27%
Expected life (years)	5	4
Volatility	120%	104%
Expected dividends	0.00%	0.00%
Forfeiture rate	0.00%	0.00%
Fair value of options issued	\$2.46	\$2.37

10. Restricted share units ("RSUs")

The following table reflects the continuity of RSUs for the three months ended January 31, 2022 and 2021:

	2021	2022
	#	#
Balance, beginning of fiscal period	2,265,000	2,809,484
RSUs granted	298,617	153,599
Exercised	-	(50,000)
Forfeited	-	(9,322)
Balance, January 31	2,563,617	2,903,761

The following table reflects RSUs outstanding as at January 31, 2022 and October 31, 2021:

Grant Date	Grant Date Price and Fair Value	Outstanding as at October 31 2021	Outstanding as at January 31 2022	Vested as at January 31 2022
	\$	#	#	#
March 3, 2020	0.52	1,601,750	1,571,750	-
August 12, 2020	1.87	30,000	30,000	30,000
October 27, 2020	1.62	112,500	112,500	112,500
November 1, 2020	1.62	230,000	230,000	230,000
December 8, 2020	1.88	68,617	48,617	-
February 22, 2021	3.63	661,895	661,896	-
June 16, 2021	3.57	27,900	27,900	-
June 23, 2021	3.39	17,500	17,500	-
July 1, 2021	3.54	59,322	50,000	-
November 15, 2021	2.95	-	39,000	-
December 22, 2021	3.49	-	114,598	-
	1.64	2,809,484	2,903,761	372,500

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10. Restricted share units ("RSUs") (continued)

RSUs vest on the anniversary date of the grant, except for 1,571,750 RSUs from the March 3, 2020 grant, 48,617 RSUs from the December 8, 2020 grant and 24,706 from the February 22, 2021 grant, all of which have had their anniversary date extended by one year. Under the Company's RSU rollover arrangement certain holders of RSUs elected to extend the applicable redemption date of the RSUs by twelve months in exchange for a supplemental grant equal to 10% of the number of extended RSUs. 160,175 RSUs have been granted on February 22, 2021 under these arrangements and a further 7,332 RSUs were granted on December 22, 2021. These newly issued RSUs will vest one year from the date of grant.

Each RSU converts into one common share of the Company upon exercise. No amounts are paid or payable by the recipient on receipt of the RSU. The RSUs carry neither right to dividends nor voting rights. Upon vesting, the Company, at its discretion, may settle RSUs through the issuance of common shares from treasury or cash. The Company recorded share-based compensation expense related to RSUs of \$551,902 for the three months ended January 31, 2022 (\$419,159 for the three months ended January 31, 2021) to the Condensed interim consolidated statements of loss and comprehensive loss and recorded \$228,541 of share-based compensation expense as an increase to exploration and evaluation asset on the Condensed interim consolidated statements of financial position.

11. Loss per share

	For the three months ended January 31	
	2022	2021
Net loss	\$1,532,100	\$1,388,017
Weighted average number of common shares outstanding - basic	91,160,063	80,097,896
Effect of dilutive securities	-	-
Weighted average number of common shares outstanding - dilutive	91,160,063	80,097,896
Loss per share – basic and diluted	\$ 0.02	\$ 0.02

Diluted loss per share does not include the effect of stock options, RSUs, compensation options and warrants as they are anti-dilutive.

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12. Related party transactions and balances

Related parties and related party transactions impacting the Condensed interim consolidated financial statements are summarized below and include transactions with key management personnel, which includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. Related parties include the Board of Directors and management, close family members and enterprises that are controlled by these individuals; as well as certain persons performing similar functions.

A summary of the related party transactions are as follows:

	For the three months ended January 31	
	2022	2021
	\$	\$
Management and directors' fees	216,323	154,850
Share-based compensation	775,269	471,006

These transactions are in the normal course of operations and have been valued in these Condensed interim consolidated financial statements at the amount of consideration established and agreed to by the related parties. No amounts were payable to related parties at January 31, 2022 or October 31, 2021.

13. Commitments and contingencies

At January 31, 2022, the Company has \$4.9 million (October 31, 2021 - \$6.2 million) in payables owing with respect to exploration and evaluation assets and has lease obligations remaining of \$120,027 related to fiscal 2022 and \$111,481 in fiscal years 2023 and 2024.

Canada Nickel entered into a Memorandum of Understanding ("MOU") with the Matachewan and Mattagami First Nations in relation to exploration and development operations at Crawford. The MOU establishes a commitment by Canada Nickel to engage in ongoing consultation and establish a mutually beneficial cooperative and productive relationship with the First Nations located in the Crawford Project area. The agreement also provides the communities with an opportunity to participate in the benefits of the Crawford Project through business opportunities, employment and training, financial compensation and consultation on environmental matters. Financial compensation to the First Nations includes the issuance of 200,000 common shares of the Company, which were issued in January 2021, and a commitment to pay a specified percentage of the annual expenses related to the Company's exploration program.

14. Financial instruments

Fair values

At January 31, 2022, the Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and short-term loan facility. The short-term loan facility has been measured at amortized cost. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

Canada Nickel Company Inc.

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14. Financial instruments (continued)

Fair value hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the period, there were no transfer of amounts between levels.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Level 1 – cash and cash equivalents

Level 2 – none

Level 3 - none

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Foreign currency risk

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfil its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents, and accounts receivable. All of the Company's cash is held at a Canadian bank, or funds held in trust with legal counsel in which management believes that the risk of loss is minimal, but the Company is subject to concentration of credit risk. Harmonized sales tax receivable and accounts receivable consist of receivables created in the course of normal business.

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 currently settles its financial obligations with cash and from time to time with equity. As at January 31, 2022, the Company's financial liabilities consist of accounts payable and accrued liabilities, and a short-term loan facility, which have contractual maturity dates within one year. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. There have been no changes in the Company's strategy with respect to credit/liquidity risk in the period.

Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar with minimal exposure to other currencies except for the short-term loan facility from Auramet (note 6) which is denominated in US dollars. The Company converted US\$8.8 million to Canadian dollars at an exchange rate of \$1.27. The short-term loan facility is repayable on April 5, 2022 in US dollars. To alleviate the foreign currency risk the Company acquired a European call option which allows the Company to buy, without obligation, US\$8.8 million at the equivalent Canadian/US dollar exchange rate of \$1.27.

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15. Subsequent events

- a) On February 15, 2022, the Company announced that it entered into four additional purchase and option agreements covering certain properties located in the Timmins, Ontario nickel-sulphide mining district. Under these agreements, Canada Nickel has agreed to issue the shares and pay the cash listed in the table below and has agreed that each of the sellers will retain a net smelter royalty ("NSR") that ranges between 1% and 2%, with Canada Nickel having the right to re-purchase 50% of the royalty for \$500,000 (with respect to a 1% NSR) or \$1 million (with respect to a 2% NSR).

	Cash	Shares
	\$	#
On signing	85,500	181,000
Fiscal year 2022	-	-
Fiscal year 2023	15,000	15,000
Fiscal year 2024	25,000	25,000
	125,500	221,000

As of March 31, 2022, the Company paid \$75,500 in cash and issued 79,000 common shares with respect to the signing obligations. In addition, there are commitments to fund exploration expenditures of at least \$50,000 in fiscal 2023, \$150,000 in fiscal 2024 and \$300,000 in fiscal 2025 on certain properties to earn-in.

- b) On March 9, 2022, the Company announced that it entered into an agreement with Red Cloud Securities Inc. to act as lead underwriter and sole bookrunner on behalf of a syndicate of underwriters that includes Clarksons Platou Securities AS. (collectively, the "Underwriters") pursuant to which the Underwriters have agreed to purchase for resale the following equity securities of the Company on a bought deal basis to raise aggregate gross proceeds to the Company of \$45,000,000 (the "Offering"):

- 8,325,806 common shares of the Company at a price of \$3.10 per common share;
- 3,424,658 flow-through shares of the Company to be sold to traditional flow-through purchasers at a price of \$3.65 per traditional flow-through share; and
- 1,500,000 flow-through shares to be sold to charity flow-through purchasers at a price of \$4.46 per charity flow-through shares.

A flow-through share is a common share of the Company to be issued as a "flow-through share" within the meaning of the *Income Tax Act* (Canada).

The Company has granted to the Underwriters an option, exercisable for a period of 30 days after and including the closing date of the Offering, to purchase any combination of additional Offered Securities for additional gross proceeds of up to 15% of the gross proceeds raised under the Offering to cover over-allotments, if any, and for market stabilization purposes.

The Company plans to use the net proceeds of the Offering to repay the Company's short-term loan facility with Auramet, advancing the Crawford Project through feasibility study, district exploration, and for general working capital and corporate purposes.

- c) On March 14, 2022, the Company issued stock options and RSUs to executives, employees and directors. 1,040,000 stock options were issued at an exercise price of \$3.14 per share vesting over a three year period and 925,362 RSUs were issued vesting over a one year period.