



Canada Nickel Company Inc.

Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended April 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise noted)

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsubsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying condensed interim consolidated financial statements of the company have been prepared by and are the responsibility of the company's management. The company's independent auditor has not performed an audit or review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants.

Canada Nickel Company Inc.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

Unaudited

	Note	April 30 2022 \$	October 31 2021 \$
ASSETS			
Current assets			
Cash and cash equivalents		23,760,345	3,334,643
Harmonized sales tax receivable		2,005,033	3,300,595
Accounts receivable		377,133	352,700
Prepaid expenses		251,074	430,226
Total current assets		26,393,585	7,418,164
Non-current assets			
Exploration and evaluation assets	4	97,124,168	47,304,907
Equipment and right-of-use assets	5	620,781	527,784
Total assets		124,138,534	55,250,855
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	12,13	8,351,363	6,992,243
Flow-through share premium	7	5,942,672	959,399
Total liabilities		14,294,035	7,951,642
Shareholders' equity			
Share capital	7	115,352,506	51,036,468
Share-based compensation and warrant reserves	8,9,10	8,402,045	5,718,120
Deficit		(13,910,052)	(9,455,375)
Total shareholders' equity		109,844,499	47,299,213
Total liabilities and shareholders' equity		124,138,534	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 and Six Months Ended April 30

	Note	For the three months ended April 30		For the six months ended April 30	
		2022	2021	2022	2021
		\$	\$	\$	\$
Expenses					
Salaries and management fees	12	273,262	211,762	528,107	353,322
General and administrative costs		317,201	22,550	559,698	246,409
Professional fees		244,347	143,480	356,262	251,130
Consulting and advisory		455,223	310,628	685,524	615,592
Promotion and communication		98,557	117,576	227,215	252,568
Investor relations and marketing		63,280	73,025	140,260	138,348
Share-based compensation	9,10	1,054,401	1,155,705	2,056,149	1,841,991
Travel and other		48,726	11	53,627	5,421
Transaction costs and interest expense	6	367,580	-	807,234	-
		2,922,577	2,034,737	5,414,076	3,704,781
Flow-through share premium	7(b)	-	-	(959,399)	(282,027)
Net loss and comprehensive loss		2,922,577	2,034,737	4,454,677	3,422,754
Loss per share – basic and diluted	11	\$0.03	\$0.02	\$0.05	\$0.04
Weighted average number of shares outstanding		98,824,056	82,120,009	94,956,170	81,092,195

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 Six Months Ended April 30

	Note	2022 \$	2021 \$
Operating activities			
Net loss		(4,454,677)	(3,422,754)
Add – transaction costs included in financing activities		524,094	-
Adjustments for non-cash items:			
Share-based compensation		2,056,149	1,841,991
Flow-through share premium		(959,399)	(282,027)
Accretion on short-term loan facility	6	283,140	-
Changes in non-cash working capital items:			
Harmonized sales tax receivable		1,295,562	(1,063,629)
Accounts receivable and prepaid expenses		154,719	(279,081)
Accounts payable and accrued liabilities		(193,826)	15,555
Net cash used in operating activities		(1,294,238)	(3,189,945)
Investing activities			
Exploration and evaluation expenditures	4	(26,030,601)	(7,306,274)
Purchase of equipment	5	(92,997)	(133,655)
Net cash used in investing activities		(26,123,598)	(7,439,929)
Financing activities			
Proceeds from short-term loan facility, net of transaction costs	6	12,302,085	-
Repayment of short-term loan facility and related interest	6	(12,826,178)	-
Proceeds from share issuances, net of costs	7	48,242,253	(115,000)
Proceeds from exercise of warrants, compensation options and stock options	8,9	125,378	6,757,657
Net cash provided by financing activities		47,843,538	6,642,657
Cash and cash equivalents, beginning of period		3,334,643	11,167,265
Net change in cash and cash equivalents		20,425,702	(3,987,217)
Cash and cash equivalents, end of period		23,760,345	7,180,048
Supplementary disclosure			
		20,280,880	
Value of shares issued for acquisitions	4		829,520
Value of shares issued for settlement of accounts payable	7(c)	-	759,250

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	3,189,224	8,017,177	-	(1,884,111)	-	6,133,066
Share issuance – compensation options exercised		346,950	855,958	-	(335,533)	-	520,425
Fair value of share-based compensation	9,10	-	-	1,841,991	-	-	1,841,991
Share issuance – stock options exercised	9	416,664	178,926	(74,760)	-	-	104,166
Share issuance – restricted share units exercised	10	328,750	170,950	(170,950)	-	-	-
Share issuance - acquisitions	4	248,000	829,520	-	-	-	829,520
Shares issued to settle 2020 accounts payable		242,781	45,000	-	-	-	45,000
Shares issued to settle 2021 accounts payable		105,000	289,500	-	-	-	289,500
Shares to be issued to settle accounts payable		-	64,513	-	(64,513)	-	-
Net loss for the six months ended April 30		-	-	-	-	(3,422,754)	(3,422,754)
Balance, April 30, 2021		84,816,685	41,181,282	2,761,338	290,269	(6,500,026)	37,732,863
Balance, October 31, 2021		88,383,650	51,036,468	5,551,009	167,111	(9,455,375)	47,299,213
Share issuance – equity offering	7(a)	15,364,708	48,242,253	-	-	-	48,242,253
Flow-through share premium reserve	7(a)	-	(5,942,672)	-	-	-	(5,942,672)
Share issuance – warrants exercised		13,275	39,450	-	(11,573)	-	27,877
Share issuance – compensation options exercised	8	26,550	66,813	-	(26,988)	-	39,825
Share issuance – stock options exercised	9	187,500	100,682	(43,005)	-	-	57,677
Share issuance – restricted share units exercised	10	196,069	296,632	(296,632)	-	-	-
Share issuance - acquisitions	4	6,288,000	20,280,880	-	-	-	20,280,880
Fair value of warrants issued	6	-	-	-	283,140	-	283,140
Fair value of share-based compensation	9,10	-	-	2,778,983	-	-	2,778,983
Shares to be issued to settle accounts payable	7(b)	-	1,232,000	-	-	-	1,232,000
Net loss for the six months ended April 30		-	-	-	-	(4,454,677)	(4,454,677)
Balance, April 30, 2022		110,459,752	115,352,506	7,990,355	411,690	(13,910,052)	109,844,499

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 and six months ended April 30, 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 balance of \$12,099,550 at April 30, 2022, and has incurred losses and negative cashflows from operations and has an accumulated deficit of \$13,910,052. 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 April 30, 2022, the Company has sufficient cash on hand to meet operational expenses into 2023, but would need additional funds post completion of its feasibility study for Crawford in 2023. The Company plans to raise additional capital to execute its business plan, however may increase or decrease expenditures as necessary to adjust to a changing capital market environment.

The condensed interim consolidated financial statements were approved by the Board of Directors on June 24, 2022.

Canada Nickel Company Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three and six months ended April 30, 2022 and 2021

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.

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 April 30, 2022 is \$109,844,499

Canada Nickel Company Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three and six months ended April 30, 2022 and 2021

4. Exploration and evaluation assets

	Balance October 31 2020	Additions for the six months ended April 30 2021	Balance April 30 2021	Balance October 31 2021	Additions for the six months ended April 30 2022	Balance April 30 2022
	\$	\$	\$	\$	\$	\$
Acquisition costs:						
Cash paid/payable	2,500,000	195,000	2,695,000	2,695,000	637,000	3,332,000
Loan forgiven	-	160,224	160,224	160,224	-	160,224
Shares issued/to be issued	8,615,000	829,520	9,444,520	9,481,020	21,747,880	31,228,900
Drilling	4,900,706	3,991,059	8,891,765	17,682,223	13,972,325	31,654,548
Assays	1,194,109	646,320	1,840,429	2,614,091	1,022,619	3,636,710
Geological	1,537,304	524,336	2,061,640	2,672,133	1,358,347	4,030,480
Consulting	436,961	1,115,158	1,552,119	3,363,238	5,079,942	8,443,180
Mineralogy	464,059	1,017,975	1,482,034	2,755,611	1,403,938	4,159,549
Access road	-	-	-	1,697,555	547,376	2,244,931
Obligations to stakeholders	332,743	297,428	630,171	1,344,849	1,170,691	2,515,540
Support costs	307,746	608,310	916,056	2,838,963	2,879,142	5,718,105
	20,288,628	9,385,330⁽¹⁾	29,673,958	47,304,907	49,819,261⁽¹⁾	97,124,168

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

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.

Canada Nickel Company Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three and six months ended April 30, 2022 and 2021

4. Exploration and evaluation assets (continued)

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.

Acquisition of additional properties

In the first quarter of 2022, the Company entered into 13 separate agreements to directly acquire or earn-in to 13 target properties within a 95 kilometre radius of Crawford. In the second quarter of 2022, the Company entered into an additional six agreements to directly acquire one new target property and expand five other properties through either acquisition or earn-in agreements. Subsequent to the second quarter, the Company entered into three more purchase agreements, including the new Bannockburn property (see Note 15 Subsequent events). The consolidation of these properties underscores the Company's belief in the district-scale potential of the Timmins region.

In total, the Company negotiated 22 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 was obligated to pay an aggregate of \$697,000 in cash and issue an aggregate 5,012,000 common shares of the Company. As of June 24, 2022, \$687,000 of this cash has been paid and 4,875,000 common shares issued (2,092,000 post April 30, 2022). 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	697,000	5,012,000
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
	2,237,000	6,478,000

Canada Nickel Company Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three and six months ended April 30, 2022 and 2021

4. Exploration and evaluation assets (continued)

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(c)) 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 and paid in the second quarter of 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).

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	113,433	176,550
Depreciation	(36,803)	(46,750)	(83,553)
Balance, April 30, 2022	141,340	479,441	620,781

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 April 30, 2022 a lease liability of \$144,965 (October 31, 2021 - \$117,031) related to the right-of-use assets is recorded in Accounts payable and accrued liabilities.

Canada Nickel Company Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three and six months ended April 30, 2022 and 2021

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 was repaid on its maturity of April 5, 2022. Interest expense accrued on the unpaid principal amount at a rate of 12% per annum monthly in arrears. Interest of \$377,178 was repaid on April 5, of which \$271,163 was expensed in the second quarter of 2022 in Transaction costs and interest 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 being amortized over the three-month maturity in Transaction costs and interest expense in the Condensed interim statements of loss and comprehensive loss.

7. Share capital

Authorized share capital

The authorized share capital consisted of an unlimited number of common shares without par value. All issued shares have been fully paid.

Common shares issued

		2021		2022	
	Note	Number of Common Shares	Share Capital	Number of Common Shares	Share Capital
		#	\$	#	\$
Balance, October 31		79,939,316	30,729,738	88,383,650	51,036,468
Share issuance - acquisitions	4	-	-	5,164,000	16,971,090
Share issuance – warrants exercised	8	152,094	182,566	-	-
Share issuance – RSUs exercised	10	-	-	50,000	53,200
Shares issued to settle 2020 accounts payable	7(c)	192,781	-	-	-
Shares issued to settle 2021 accounts payable	7(c)	50,000	114,500	-	-
Shares to be issued to settle accounts payable	7(c)	-	239,513	-	1,232,000
Balance, January 31		80,334,191	31,266,317	93,597,650	69,292,758
Share issuance - acquisitions	4	248,000	829,520	1,124,000	3,309,790
Share issuance – equity financings, net	7(a)	-	-	15,364,708	48,242,253
Flow through share premium	7(a)	-	-	-	(5,942,672)
Share issuance – warrants exercised	8	3,037,130	7,834,611	13,275	39,450
Share issuance – compensation options exercised	8	346,950	855,958	26,550	66,813
Share issuance – stock options exercised	9	416,664	178,926	187,500	100,682
Share issuance – RSUs exercised	10	328,750	170,950	146,069	243,432
Shares issued to settle 2020 accounts payable	7(c)	55,000	45,000	-	-
Shares issued to settle 2021 accounts payable	7(c)	50,000	-	-	-
Balance, April 30		84,816,685	41,181,282	110,459,752	115,352,506

Canada Nickel Company Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three and six months ended April 30, 2022 and 2021

- a) On April 5, 2022, the Company closed a "bought deal" offering (the "Offering") and received aggregate gross proceeds of C\$51,554,157 (\$48,242,253 after payment of issuance costs), which included the exercise of the Underwriters' over-allotment option. Under the Offering, the Company sold the following:
- 10,440,050 common shares of the Company at a price of \$3.10 per common share;
 - 3,424,658 traditional flow-through shares of the Company at a price of \$3.65 per traditional flow-through share; and
 - 1,500,000 charity flow-through shares at a price of \$4.46 per charity flow-through share.

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 Offering was completed pursuant to an underwriting agreement dated March 14, 2022 entered into among the Company and a syndicate of underwriters led by Red Cloud Securities Inc., and including Clarksons Platou Securities SA, Scotia Capital Inc., BMO Nesbitt Burns Inc., Cormark Securities Inc., Echelon Wealth Partners Inc., Haywood Securities Inc., Research Capital Corporation (collectively, the "Underwriters"). In connection with the Offering the Underwriters received an aggregate cash commission of \$3,086,103.

On April 5, 2022 the Company used a portion of the net proceeds of the Offering and repaid its US\$10 million short term loan facility with Auramet plus related interest of US\$0.3 million (see Note 6). The remaining net proceeds are earmarked for continued development of the Crawford Project through additional studies, infrastructure design and exploration, including to undertake in-fill drilling to upgrade the current resource and proceed towards a feasibility study. In addition, the Company plans to use the net proceeds of the Offering on initial exploration work on mineral claims in the same region as Crawford ("District Exploration").

The flow-through common shares were issued at a premium to the market price in recognition of the tax benefits accruing to subscribers and as a result the Company recorded a share premium liability of \$5,942,672 and has an obligation to incur \$19,190,002 in eligible Canadian exploration expenditures ("CEE") by December 31, 2023.

- b) Flow-through common shares issued in July 27, 2021 were issued at a premium to the market price in recognition of the tax benefits accruing to subscribers. As of October 31, 2021, the Company had a share premium liability of \$959,399 and an obligation to incur an additional \$5,463,244 in eligible CEE by December 31, 2022 related to this July 27, 2021 financing. By January 31, 2022, the Company spent all the required CEE and as a result the share premium liability related to this financing is nil.
- c) In December 2021 (fiscal year 2022), the Company acquired a property that has an obligation due in December 2022 to pay an additional \$200,000 and issue 350,000 common shares of Canada Nickel valued at \$1,232,000.

In fiscal 2021, the Company issued 200,000 common shares in relation to community obligations (note 13), of which the value for 150,000 common shares (\$192,250) was recorded in October 2020 and the value of \$114,500 for the remaining 50,000 share obligation was recorded in January 2021. In addition, the Company settled its 2020 professional obligation of \$85,000 with the issuance of 42,781 common shares. The Company had additional advisory and professional fee obligations of \$239,513 as at January 31, 2021 to be settled in the equivalent value of common shares.

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8. Warrants and compensation options

The following table reflects the continuity of warrants and compensation options for the three and six months ended April 30, 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
Warrants issued on exercise of compensation options	173,475	-
Exercised	(3,037,130)	(346,950)
Balance, April 30, 2021	111,425	151,050
Balance, October 31, 2021	170,460	26,550
Issued (note 6)	325,000	-
Balance, January 31, 2022	495,460	26,550
Warrants issued on exercise of compensation options	13,275	-
Exercised	(13,275)	(26,550)
Balance, April 30, 2022	495,460	-

In the three and six months ended April 30, 2022, the Company received \$67,703 from the exercise of warrants and compensation options.

On March 15, 2021, under the terms of the September 30, 2020 warrant indenture, the Company accelerated the expiry date of the outstanding warrants from September 30, 2022 to April 27, 2021. Each of the warrants entitles the holder thereof to acquire one common share of the Company at a price of \$2.10 per common share.

In the six months ended April 30, 2021, the Company received \$5,981,798 from the exercise of 2,848,475 September 30, 2020 warrants and \$151,268 from the exercise of broker warrants from the May 5, 2020 financing. In addition, the Company received \$520,425 from the exercise of 346,950 broker compensation options.

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The following table reflects the warrants and compensation options outstanding as at April 30, 2022 and October 31, 2021:

Grant Date	Exercise Price	Outstanding as at October 31 2021	Outstanding as at April 30 2022	Expiry Date	Remaining Life (years)
	\$				
May 5, 2020 broker warrants	0.35	4,612	4,612	5-Nov-22	0.6
May 5, 2020 broker warrants	0.40	45,320	45,320	5-Nov-22	0.6
May 5, 2020 broker warrants	0.46	58,278	58,278	5-Nov-22	0.6
October 14, 2020 compensation options	1.50	26,550	-	14-Oct-22	n/a
Warrants issued from exercise of compensation options	2.10	40,125	40,125	30-Sept-22	0.5
Warrants issued from exercise of compensation options	2.10	22,125	22,125	14-Oct-22	0.5
Warrants issued with bridge financing	3.94	-	325,000	5-Jan-23	0.7
	2.94	197,010	495,460		0.6

9. Stock options

The following table reflects the continuity of stock options for the three and six months ended April 30:

	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
Stock options granted	744,500	1,090,000
Exercised	(416,664)	(187,500)
Forfeited	(346,667)	-
Balance, April 30	5,291,169	6,378,919

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9. Stock options (continued)

The following table reflects stock options outstanding as at April 30, 2022 and October 31, 2021:

Grant Date	Exercise Price	Outstanding as at October 31 2021	Outstanding as at April 30 2022	Vested and outstanding as at April 30 2022	Expiry Date	Remaining Life (years)
	\$	#	#			
January 13, 2020	0.25	3,184,585	3,003,752	1,794,583	13-Jan-25	2.8
February 18, 2020	0.25	275,000	275,000	183,332	18-Feb-25	2.8
August 12, 2020	1.87	60,000	53,333	13,334	12-Aug-25	3.3
October 27, 2020	1.62	337,500	337,500	112,500	27-Oct-25	3.5
November 1, 2020	1.62	360,000	360,000	120,000	1-Nov-25	3.5
December 8, 2020	1.88	100,000	100,000	33,334	8-Dec-25	3.6
February 22, 2021	3.63	704,500	704,500	234,831	22-Feb-26	3.8
June 16, 2021	3.57	65,000	65,000	-	16-June-26	4.2
June 23, 2021	3.39	35,000	35,000	-	23-June-26	4.2
July 1, 2021	3.54	100,000	33,334	-	1-July-26	0.3
November 15, 2021	2.95	-	61,500	-	15-Nov-26	4.5
December 22, 2021	3.49	-	160,000	-	22-Dec-26	4.7
January 24, 2022	3.51	-	100,000	-	24-Jan-27	4.8
February 21, 2022	3.51	-	70,000	-	21-Feb-27	4.8
March 14, 2022	3.14	-	920,000	-	14-Mar-27	4.9
April 18, 2022	2.60	-	100,000	-	18-Apr-27	5.0
		5,221,585	6,378,919	2,491,914		3.4
Weighted average exercise price		\$1.06	\$1.53			

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 \$503,164 and \$953,010 for the three and six months ended April 30, 2022, respectively (\$419,159 and \$685,279 for the three and six months ended April 30, 2021, respectively) to the interim consolidated statements of loss and comprehensive loss and recorded \$293,795 of share-based compensation expense as an increase to exploration and evaluation asset on the Condensed interim consolidated statements of financial position.

Canada Nickel Company Inc.

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(Expressed in Canadian Dollars)

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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, the three months ended January 31, 2022 and the three months ended April 30, 2022.

	Year ended October 31 2021	Three months ended January 31 2022	Three months ended April 30 2022
Risk free interest rate	0.34%	1.21%	1.86%
Expected life (years)	5	4	4.9
Volatility	120%	104%	101%
Expected dividends	0.00%	0.00%	0.00%
Forfeiture rate	0.00%	0.00%	0.00%
Fair value of options issued	\$2.46	\$2.43	\$2.31

10. Restricted share units ("RSUs")

The following table reflects the continuity of RSUs for the three and six months ended April 30:

	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
RSUs granted	716,145	964,123
Exercised	(328,750)	(146,069)
Forfeited	(44,250)	-
Balance, April 30	2,906,762	3,721,815

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

The following table reflects RSUs outstanding as at April 30, 2022 and October 31, 2021:

Grant Date	Grant Date Price and Fair Value	Outstanding as at October 31 2021	Outstanding as at April 30 2022	Vest Date	Vested as at April 30 2022
	\$	#	#		#
March 3, 2020	0.52	1,601,750	1,485,191	March 3, 2023	-
August 12, 2020	1.87	30,000	20,000	August 12, 2022	-
October 27, 2020	1.62	112,500	112,500	October 27, 2022	-
November 1, 2020	1.62	230,000	230,000	November 1, 2022	-
December 8, 2020	1.88	68,617	48,617	December 8, 2022	-
February 22, 2021	3.63	661,895	612,386	February 22, 2023 for 549,234 RSUs	63,152
June 16, 2021	3.57	27,900	27,900	June 16, 2022	-
June 23, 2021	3.39	17,500	17,500	June 23, 2022	-
July 1, 2021	3.54	59,322	50,000	July 1, 2022	-
November 15, 2021	2.95	-	39,000	November 15, 2022	-
December 22, 2021	3.49	-	114,598	December 22, 2022	-
February 21, 2022	3.51	-	38,761	February 21, 2023	-
March 14, 2022	3.14	-	875,362	March 14, 2023	-
April 18, 2022	2.60	-	50,000	April 18, 2023	-
	2.03	2,809,484	3,721,815		63,152

RSUs vest on the anniversary date of the grant unless the holder agrees to extend their anniversary date 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. Where applicable, the vest date in the table above shows the revised vest date for extensions.

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 \$551,237 and \$1,103,139 for the three and six months ended April 30, 2022, respectively (\$736,546 and \$1,156,712 for the three and six months ended April 30, 2021, respectively) to the Condensed interim consolidated statements of loss and comprehensive loss and recorded \$429,038 of share-based compensation expense as an increase to exploration and evaluation asset on the Condensed interim consolidated statements of financial position.

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11. Loss per share

	For the three months ended April 30		For the six months ended April 30	
	2022	2021	2022	2021
Net loss	\$2,922,577	\$2,034,737	\$4,454,677	\$3,422,754
Weighted average number of common shares outstanding - basic	98,824,056	82,120,009	94,956,170	81,092,195
Effect of dilutive securities	-	-	-	-
Weighted average number of common shares outstanding - dilutive	98,824,056	82,120,009	94,956,170	81,092,195
Loss per share – basic and diluted	\$ 0.03	\$ 0.02	\$ 0.05	\$ 0.04

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

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 April 30		For the six months ended April 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Management and directors' fees	313,167	100,817	529,490	255,667
Share-based compensation	763,033	730,170	1,538,301	1,201,176

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 April 30, 2022 or October 31, 2021.

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13. Commitments and contingencies

At April 30, 2022, the Company has \$7.8 million (October 31, 2021 - \$6.2 million) in payables owing with respect to exploration and evaluation assets and has lease obligations remaining of \$77,292 related to fiscal 2022 and \$111,481 in fiscal years 2023 and 2024.

Canada Nickel entered into agreements with the Matachewan and Mattagami First Nations and Taykwa Tagamou Nation in relation to exploration and development operations at Crawford. The agreements establish 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 includes a commitment to pay a specified percentage of the annual expenses related to the Company's exploration program and a three-year commitment of approximately \$1.6 million for specific impact assessment programs.

14. Financial instruments

Fair values

At April 30, 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.

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

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14. Financial instruments (continued)

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

- Credit risk
- Liquidity 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 April 30, 2022, the Company's financial liabilities consist of accounts payable and accrued liabilities, 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.

15. Subsequent events

On June 6, 2022, the Company entered into an agreement with Grid Metals Corp. to acquire a 100% interest in the Bannockburn Nickel Property located near Matachewan, Ontario in exchange for two million common shares of the Company, which were issued June 21, 2022. The property is subject to an existing 2.0% net smelter return royalty with Outokumpu Oyj. Closing of the transaction is subject to the satisfaction of certain customary conditions.