



NICKEL 28 CAPITAL CORP.

(Formerly Conic Metals Corp.)

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2021**

**(EXPRESSED IN UNITED STATES DOLLARS)
(UNAUDITED)**



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NICKEL 28 CAPITAL CORP. (Formerly Conic Metals Corp.)
Condensed Interim Consolidated Statements of Financial Position
(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)

	As at September 30, 2021	As at December 31, 2020
Assets		
Current Assets		
Cash and cash equivalents (Note 4)	\$ 3,843,381	\$ 6,373,796
Amounts receivable and other assets (Note 5)	3,426,304	15,600,663
Marketable securities (Note 6)	141,276	141,376
	7,410,961	22,115,835
Non-Current Assets		
Investment in Ramu Nickel Mine (Note 7)	131,832,636	128,524,144
Royalty contracts (Note 8)	25,495,893	25,495,893
Right-of-use assets	21,245	48,245
Property, plant and equipment	38,263	38,537
Total Assets	\$ 164,798,998	\$ 176,222,654
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 194,583	\$ 67,583
Lease liability	23,338	35,000
Non-recourse debt (Note 9)	16,692,000	15,415,419
	16,909,921	15,518,002
Non-Current Liabilities		
Lease liability	-	16,338
Non-recourse debt (Note 9)	62,263,067	91,638,008
Share award liability	74,342	3,759
Total Liabilities	79,247,330	107,176,107
Shareholders' Equity		
Share capital (Note 10)	66,841,204	66,440,479
Reserves	574,324	383,513
Retained earnings	18,136,140	2,222,555
Total Shareholders' Equity	85,551,668	69,046,547
Total Liabilities and Shareholders' Equity	\$ 164,798,998	\$ 176,222,654

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

NICKEL 28 CAPITAL CORP. (Formerly Conic Metals Corp.)
Condensed Interim Consolidated Statements of Net and Comprehensive Income (Loss)
(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Operating Expenses				
Consulting fees	\$ -	\$ -	\$ 16,226	\$ 5,661
Exploration costs	-	64,090	-	189,115
General and administrative	150,224	129,702	870,220	376,651
Salaries and fees (Note 12)	390,929	219,173	1,248,989	811,902
Marketing and promotion	71,632	42,832	290,047	165,942
Professional fees	21,661	40,660	123,472	170,249
Regulatory fees	21,357	14,147	40,413	40,632
Share based compensation (Notes 11(a), (b) and 12)	112,287	36,243	616,341	177,260
Change in share award liability (Note 11(c) and 12)	16,647	-	70,583	-
Operating Loss	(784,737)	(546,847)	(3,276,291)	(1,937,412)
Other Income (Expenses)				
Interest income	16,223	575	52,572	11,097
Impairment of royalty contracts	-	-	-	(571,081)
Carbon offset	-	-	(57,750)	-
Share of operating profit from Ramu Nickel Mine (Note 7(ii))	7,743,727	268,991	22,625,480	1,643,360
Unrealized gain (loss) on marketable securities	24,284	803,745	(100)	247,519
Realized gain on marketable securities	-	3,899,757	-	3,899,757
Financing costs (Note 7(iii))	(1,112,792)	(1,313,972)	(3,450,813)	(4,018,361)
Foreign exchange (loss) gain	(76,759)	28,720	20,487	39,017
	6,594,683	3,687,816	19,189,876	1,251,308
Net and Comprehensive Income (Loss) for the Period	\$ 5,809,946	\$ 3,140,969	\$ 15,913,585	\$ (686,104)
Basic Income (Loss) per Share	\$ 0.07	\$ 0.04	\$ 0.19	\$ (0.01)
Diluted Income (Loss) Per Share	\$ 0.07	\$ 0.04	\$ 0.19	\$ (0.01)
Weighted Average Number of Common Shares Outstanding - Basic	85,704,730	83,465,472	85,641,278	83,465,472
Weighted Average Number of Common Shares Outstanding - Diluted	85,704,730	83,465,472	85,641,278	83,465,472

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

NICKEL 28 CAPITAL CORP. (Formerly Conic Metals Corp.)
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)

	Nine Months Ended September 30,	
	2021	2020
Operating Activities		
Net income (loss) for the period	\$ 15,913,585	\$ (686,104)
Adjustments for:		
Impairment of royalty contracts	-	571,081
Share of operating profit from Ramu Nickel Mine	(22,625,480)	(1,643,360)
Unrealized loss (gain) on marketable securities	100	(247,519)
Realized gain on marketable securities	-	(3,899,757)
Share based compensation (Notes 11(a) and (b))	616,341	177,260
Change in share award liability (Note 11(c))	70,583	-
Financing costs	3,450,813	4,018,361
Other	30,639	7,088
Non-cash working capital items:		
Amounts receivable and other assets	(57,488)	(42,469)
Accounts payable and accrued liabilities	127,000	99,877
Net Cash and Cash Equivalents Used in Operating Activities	(2,473,907)	(1,645,542)
Investing Activities		
Purchase of property, plant and equipment	(3,703)	-
Proceeds from the sale of marketable securities (Note 6)	-	5,179,892
Net Cash and Cash Equivalents (Used in) Provided by Investing Activities	(3,703)	5,179,892
Financing Activities		
Common shares issued for cash (Note 10(b))	168,754	-
Repayment of lease liabilities	(28,000)	-
Repurchase of shares	(193,559)	-
Net Cash and Cash Equivalents Used in Financing Activities	(52,805)	-
Net change in Cash and Cash Equivalents	(2,530,415)	3,534,350
Cash and Cash Equivalents, Beginning of Period	6,373,796	4,438,341
Cash and Cash Equivalents, End of Period	\$ 3,843,381	\$ 7,972,691
Supplemental Information		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -
Repayment of non-recourse debt through deemed distributions	\$ 31,549,173	\$ -

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

NICKEL 28 CAPITAL CORP. (Formerly Conic Metals Corp.)
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)

	Share Capital		Reserves	Retained earnings (Deficit)	Total
	Number	Amount			
Balance, December 31, 2019	83,465,472	\$ 66,076,942	\$ 103,456	\$ (339,857)	\$ 65,840,541
Share based compensation (Note 11(b))	-	-	177,260	-	177,260
Net loss for the period	-	-	-	(686,104)	(686,104)
Balance, September 30, 2020	83,465,472	\$ 66,076,942	\$ 280,716	\$ (1,025,961)	\$ 65,331,697
Balance, December 31, 2020	84,901,844	\$ 66,440,479	\$ 383,513	\$ 2,222,555	\$ 69,046,547
Issuance of common shares on exercise of options (Note 10(b)(i))	500,000	182,444	(13,690)	-	168,754
Restricted Share Units converted to common shares (Note 10(b)(ii))	800,000	411,840	(411,840)	-	-
Share repurchase (Note 10(b)(iii))	(234,500)	(193,559)	-	-	(193,559)
Share based compensation (Notes 11(b) and (c))	-	-	616,341	-	616,341
Net income for the period	-	-	-	15,913,585	15,913,585
Balance, September 30, 2021	85,967,344	\$ 66,841,204	\$ 574,324	\$ 18,136,140	\$ 85,551,668

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

NICKEL 28 CAPITAL CORP. (Formerly Conic Metals Corp.)
Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2021
(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)

1. Nature of Operations

Nickel 28 Capital Corp. (the "Company" or "Nickel 28") was incorporated pursuant to the *Business Corporations Act* (British Columbia) on June 25, 2019 as "Nickel 28 Capital Corp." and changed its name to "Conic Metals Corp." on October 21, 2019 and "Nickel 28 Capital Corp." on March 10, 2021. The head office is located at 4 King Street West, Suite 401, Toronto, Ontario, Canada. The registered office of the Company is 666 Burrard Street, Suite 1700, Vancouver, British Columbia, Canada.

The Company is a base metals company offering direct exposure to nickel and cobalt. Nickel 28 holds an 8.56% joint-venture interest in the producing, long-life Ramu Nickel-Cobalt Operation located in Papua New Guinea. In addition, Nickel 28 manages a portfolio of nickel and cobalt royalties on development and exploration projects in Canada, Australia and Papua New Guinea.

These condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2021 were approved and authorized for issue by the Board of Directors on November 26, 2021.

Commencing in March 2020, the outbreak of the novel strain of coronavirus known as "Covid19" 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 Company's employees, directors and consultants have fortunately not had any known cases of Covid19. In addition, at the Company's joint-venture Ramu mine, MCC Ramu NiCo Limited has implemented several measures to limit the potential spread of Covid19. The duration and impact of the Covid19 pandemic 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 and its operating subsidiaries in future periods. (See note 16(iii)).

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 IFRS Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 - Interim Financial Reporting. Accordingly, they do not include all the information required for full annual financial statements and should be read in conjunction with the Company's most recent annual consolidated financial statements as at and for the year ended December 31, 2020.

The same accounting policies and methods of computation are followed in these condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2020.

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3. Key Sources of Estimation Uncertainty and Critical Accounting Judgments

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, the areas which require management to make significant judgments, estimates and assumptions in determining carrying amounts are:

Carrying amount of the Ramu Nickel Mine

The Company, on each reporting date, considers whether there is any objective evidence that its net investment in the Ramu Nickel Mine has suffered any impairment as a result of one or more events that have occurred after initial recognition of the net investment and have an impact on the estimated cash flows of the investment that can be reliably estimated. The assessment requires estimates and assumptions such as discount rates, exchange rates, commodity prices, operating costs, capital costs and production rates.

Non-recourse debt

The Company, on each reporting date, reclassifies a portion of its non-recourse debt as current. As the Company's non-recourse debt is to be repaid by Ramu Nickel Limited out of its share of operating surpluses, less ongoing capital expenditure requirements, the amount classified as current represents the expected operating surplus less interest that is expected to be applied to repay the non-recourse debt over the next twelve months. Actual results may vary.

Deferred taxes

The Company recognizes the deferred tax benefit related to tax assets and tax losses to the extent recovery is probable. Assessing the recoverability of deferred income tax assets requires management to make significant estimates of future taxable profit and expected timing of reversals of existing temporary differences. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from tax assets and tax losses.

Impairment of royalty contracts

Assessment of the royalty contracts for indicators of impairment at the end of each reporting period requires the use of judgments, assumptions and estimates when assessing whether there are any indicators that give rise to the requirement to conduct a formal impairment test on the Company's royalty contracts. Indicators which could trigger an impairment test include, but are not limited to, a significant change in operator reserve and resource estimates, industry or economic trends, current or forecast commodity prices, and other relevant operator information with respect to the underlying mineral resource properties.

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4. Cash and cash equivalents

	As at September 30, 2021	As at December 31, 2020
Cash	\$ 3,843,381	\$ 6,288,331
Short-term bank deposit	-	85,465
	\$ 3,843,381	\$ 6,373,796

5. Amounts Receivable and Other Assets

	As at September 30, 2021	As at December 31, 2020
Other receivables ⁽¹⁾	\$ 3,183,137	\$ 15,415,419
Harmonized sales tax receivable	41,792	63,725
Prepaid expenses	92,765	3,634
Sundry receivables	108,610	117,885
	\$ 3,426,304	\$ 15,600,663

⁽¹⁾ Other receivables represent cash receipts anticipated from MCC Ramu NiCo Limited and/or amounts to be applied against the non-recourse debt to MCC Ramu NiCo Limited. On January 1, 2021, the Company repaid \$15,415,419 of the non-recourse debt. Subsequent to the September 30, 2021, the Company received a cash payment of \$3,183,137 from MCC Ramu NiCo Limited for its share of the mine's operating surpluses (note 16).

6. Marketable Securities

The Company holds 1,000,000 common shares of Minerva Intelligence Inc. ("Minerva"), which were acquired at a cost of \$76,581. As at September 30, 2021, the investment in Minerva was valued at \$141,276 (December 31, 2020 - \$141,376) based on the applicable closing share price.

7. Investment in Ramu Nickel Mine

The investment in the Ramu Nickel Mine ("Ramu") consists of an 8.56% joint venture interest in the producing Ramu mine and refinery located near the city of Madang on the north coast of Papua New Guinea. Ramu was financed, constructed and commissioned in 2012, by majority-owner and operator Metallurgical Corporation of China Limited ("MCC").

The 8.56% interest in the Ramu mine is held by the Company through its wholly-owned subsidiary Ramu Nickel Limited. The Company's interest in the Ramu mine will increase to 11.3% at no cost to the Company once Nickel 28's share of the Ramu project debt is repaid to the project manager and joint venture partner MCC (note 9). In addition to this, when the Company's interest increases to 11.3%, the Company will also have the option to purchase an additional 9.25% interest in the Ramu mine at market value, which if exercised, would take the Company's interest to 20.55%.

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7. Investment in Ramu Nickel Mine (Continued)

(i) Continuity of investment in Ramu Nickel Mine

	Nine Months Ended September 30, 2021	Year Ended December 31, 2020
Opening balance	\$ 128,524,144	\$ 141,061,107
Share of operating profit from Ramu Nickel Mine	22,625,480	7,727,871
Distributions from MCC Ramu NiCo Limited	(19,316,988)	(20,264,834)
Closing balance	\$ 131,832,636	\$ 128,524,144

(ii) Interest in Ramu Nickel Mine

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Share of revenue	\$ 15,411,599	\$ 7,517,738	\$ 48,077,684	\$ 22,287,859
Share of production costs	(4,824,416)	(4,278,374)	(16,702,529)	(12,683,865)
Share of other costs	(797,918)	(819,666)	(2,613,059)	(1,361,724)
Depreciation and amortization	(2,045,538)	(2,047,826)	(6,136,616)	(6,143,478)
Direct holding costs	-	(102,881)	-	(455,432)
Share of operating profit from Ramu Nickel Mine	\$ 7,743,727	\$ 268,991	\$ 22,625,480	\$ 1,643,360

(iii) Non-recourse debt (note 9)

	Nine Months Ended September 30, 2021	Year Ended December 31, 2020
Opening balance	\$ 107,053,427	\$ 123,742,757
Interest accrued	3,450,813	5,368,261
Loan repayments	(31,549,173)	(22,057,591)
Closing balance	\$ 78,955,067	\$ 107,053,427

On initial acquisition, Highlands Pacific Limited recognized a loan balance owing to MCC Ramu NiCo Limited for its 8.56% share of capped development costs plus accumulated interest for monies paid by MCC Ramu NiCo Limited to lenders on behalf of the joint venture parties up to January 1, 2015. This debt is non-recourse to the Company (excluding Ramu Nickel Limited) and is to be repaid by Ramu Nickel Limited out of its share of operating surpluses less ongoing capital expenditure requirements (note 9).

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8. Royalty Contracts

A royalty is a payment to a royalty holder by a property owner or an operator of a property and is typically based on a percentage of the minerals or other products produced or the profits or revenue generated from the property. Royalties are not working interests in a property. Therefore, the royalty holder is generally neither responsible for, nor has an obligation to, contribute additional funds for any purpose, including, but not limited to, operating or capital costs, or environmental or reclamation liabilities. Typically, royalty interests are established through a contract between the royalty holder and the property owner. Many jurisdictions permit the holder to also register or otherwise record evidence of a royalty interest in applicable mineral title or land registries.

Common forms of royalties are Net Smelter Return ("NSR") and Gross Revenue Royalty ("GRR"). NSR is based on the proceeds paid by a smelter or refinery to the miner for the mining production from the property less certain transportation, smelting and refining costs as defined in a royalty agreement. This type of royalty provides cash flow that is free of any operating or capital costs and environmental liabilities. GRR is generally based on the value of the mining production from the property before subsequent treatment charges are incurred. This type of royalty provides cash flow that is free of any treatment charges, operating or capital costs and environmental liabilities.

As of September 30, 2021 and December 31, 2020, the Company's Royalty Contracts consisted of the following:

Royalty Name	Owner	Property Location	Stage	Primary Metal(s), Royalty Type and %	September 30, 2021	December 31, 2020
					Carrying value	Carrying value
Dumont Project ⁽¹⁾	Waterton Global Res. Mgmt.	Québec	Advanced / Development	Ni-Co 1.75% NSR	\$15,263,086	\$15,263,086
Turnagain Project ⁽²⁾	Giga Metals Corporation	British Columbia	Exploration	Ni-Co 2% NSR	\$7,241,392	\$7,241,392
Flemington Project ⁽³⁾	Australian Mines Ltd.	Australia	Exploration	Ni-Co-Sc 1.5% GRR	\$1,943,514	\$1,943,514
Nyngan Project ⁽⁴⁾	Scandium International Mining Corp.	Australia	Advanced / Development	Sc- Ni-Co 1.7% GRR	\$971,757	\$971,757
Star Mountains	Freeport Resources	Papua New Guinea	Exploration	Cu-Au 1% NSR	\$nil	N/A
Sewa Bay	Pure Minerals	Papua New Guinea	Exploration	Ni-Co 5% FOB GRR	\$nil	N/A
Professor & Waldman Properties ⁽⁵⁾⁽⁶⁾	70% Golden Deepes 30% New Found Gold Corp.	Ontario	Exploration	Co-Ag 2% Co NSR	\$nil	\$190,357
Triangle Property ⁽⁶⁾⁽⁷⁾	New Found Gold Corp.	Ontario	Exploration	Co-Ag 2% Co NSR	\$nil	\$190,362
Rusty Lake Property ⁽⁶⁾	iCobalt Ltd.	Ontario	Exploration	Co-Ag 2% Co NSR	\$nil	\$190,362
North Canol Properties ⁽⁵⁾	Golden Ridge Resources Ltd.	Yukon	Exploration	Ag-Pb-Zn-Co 2% Co NSR	\$38,072	\$38,072
Sunset Mineral Property	Three Individuals	British Columbia	Exploration	Cu-Zn-Co 2% Co NSR	\$38,072	\$38,072
Impairment⁽⁶⁾					\$25,495,893 nil	\$26,066,974 (571,081)
Total Royalty Contracts					\$25,495,893	\$25,495,893

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8. Royalty Contracts (Continued)

- (1) The Dumont Nickel-Cobalt Royalty is a life-of-mine 1.75% NSR royalty.
- (2) The Turnagain Royalty is a 2.0% NSR royalty on all future metal production from the Turnagain Nickel-Cobalt Project. Under the terms of the royalty agreement, Giga Metals Corporation has a onetime repurchase option to repurchase 0.5% of the 2.0% royalty (resulting in a 1.5% remaining royalty) by paying the Company \$20 million in cash on the fifth (5th) anniversary.
- (3) The Flemington Royalty is a life-of-mine 1.5% GRR.
- (4) The Nyngan Royalty is a life-of-mine 1.7% GRR.
- (5) Two separate mineral properties to which a Co NSR applies.
- (6) During the year ended December 31, 2020, the Company became aware that the holders of these royalties were no longer conducting exploration and accordingly recorded an impairment of \$571,081 against the royalties on the Professor & Waldman, Triangle and Rusty Lake properties.
- (7) On September 20, 2021, the Company received notice from the owner of the Triangle Property mining claim that they have decided to forgo further exploration of the project.

9. Non-Recourse Debt

	As at September 30, 2021	As at December 31, 2020
Loan from MCC Ramu NiCo Limited - current	\$ 16,692,000	\$ 15,415,419
Loan from MCC Ramu NiCo Limited - non-current	62,263,067	91,638,008
	\$ 78,955,067	\$ 107,053,427

Balance consists of:

	As at September 30, 2021	As at December 31, 2020
Non-recourse operating debt - current	\$ -	\$ 15,415,419
Non-recourse construction debt - current	16,692,000	-
Non-recourse operating debt - non-current	-	9,968,481
Non-recourse construction debt - non-current	62,263,067	81,669,527
	\$ 78,955,067	\$ 107,053,427

Non-recourse debt relates to the Company's interest, held in the wholly owned subsidiary Ramu Nickel Limited, in the Ramu Nickel mine and owing to MCC Ramu NiCo Limited. As part of the Joint Venture Agreement with MCC Ramu NiCo Limited, MCC Ramu NiCo Limited was responsible for development and financing of the mine. These borrowings represent the Company's 8.56% share of principal repayments (capped to a specified development threshold of \$2.1 billion) and interest repayments made by MCC Ramu NiCo Limited to third party lenders on behalf of the Company, plus any accumulated interest charged by MCC Ramu NiCo Limited. The borrowings are to be repaid out of the Company's share of the Ramu Nickel mine's operating surpluses (sales revenue less operating costs and ongoing capital expenditure requirements).

Effective July 1, 2021, the Company fully repaid its non-recourse operating debt and related interest to MCC Ramu NiCo Limited. Now that the operating debt is repaid, the Company will receive 35% of its share of the mine's operating surpluses, with the remaining 65% used to repay the non-recourse construction debt and related interest. Furthermore, once the Company's non-recourse construction debt is repaid, which can be repaid at anytime in its entirety without penalty, the Company's participatory share of the Ramu Nickel Mine will automatically increase from 8.56% to 11.3% and the Company will begin receiving 100% of its share of the mine's operating surpluses on a monthly basis.

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9. Non-Recourse Debt (Continued)

The amount classified as current represents the expected operating surplus less interest and less the Company's 35% cash share of operating surplus that is expected to be applied to repay the non-recourse debt over the next twelve months. The borrowings under the construction debt bear an interest rate of 5.05% annually.

During the nine months ended September 30, 2021, the Company made repayments on the non-recourse debt of \$31,549,173 from the Ramu Mine's operating surpluses.

10. Share Capital

a) Authorized: Unlimited number of common shares without par value.

b) Common shares issued:

(i) During the nine months ended September 30, 2021, 500,000 stock options were exercised at an exercise price of \$0.43 per share. The value of the exercised options totaled \$13,690.

(ii) During the nine months ended September 30, 2021, 800,000 RSUs with a fair value of \$411,840 were converted into common shares.

(iii) On May 27, 2021, the Company announced a normal course issuer bid ("NCIB") to repurchase its common shares. In connection with the NCIB, the Company may repurchase up to 7,478,209 its outstanding common shares. During the nine months ended September 30, 2021, the Company repurchased 234,500 common shares for a total cost of \$193,559.

11. Stock Options, Restricted Share Units and Share Awards

(a) Stock options

On December 16, 2019, the Company adopted a Stock Option Plan, subject to TSX-V and disinterested shareholder approval of the Company's Omnibus Long-term Incentive Plan ("LTIP"). The Company's Omnibus LTIP was approved at the Company's annual general meeting on September 16, 2021. The maximum aggregate number of shares reserved for issuance under the Company's Stock Option Plan, together with the RSU Plan (defined below), shall not exceed a combined total of 10% of the Company's issued and outstanding shares to officers, employees, directors, advisors and consultants. The exercise price is determined by the Board of Directors provided the minimum exercise price is set at the Company's closing share price on the day before the grant date. The options can be granted for a maximum term of ten years and vesting terms are determined by the Board of Directors at the date of grant.

The following table reflects the continuity of stock options for the periods ended September 30, 2021 and 2020:

	Number of stock options	Weighted average exercise price (CAD\$)
Balance, December 31, 2019	-	-
Granted (i)	4,090,000	0.43
Balance, September 30, 2020	4,090,000	0.43
Balance, December 31, 2020	4,190,000	0.43
Exercised	(500,000)	0.43
Balance, September 30, 2021	3,690,000	0.43

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11. Stock Options, Restricted Share Units and Share Awards (Continued)

(i) On June 19, 2020, a total of 4,090,000 stock options to certain directors, officers, advisors and consultants of the Company vested on approval of the LTIP. The stock options are exercisable at a price of CAD\$0.43 per share, expire on December 16, 2024 and vested immediately. The fair value of the stock options was estimated to be \$111,981 using the Black-Scholes option pricing model and the following assumptions: exercise price of CAD\$0.43, share price of \$0.145, risk free interest rate of 0.34%, an expected life of 4.5 years and an expected volatility of 65%.

The following table reflects the Company's stock options outstanding and exercisable as at September 30, 2021:

Options outstanding	Options exercisable	Grant date fair value (\$)	Weighted average exercise price (CAD\$)	Weighted average remaining contractual life (years)	Expiry date
3,590,000	3,590,000	98,291	0.43	3.21	December 16, 2024
100,000	100,000	16,335	0.40	4.23	December 23, 2025
3,690,000	3,690,000	114,626	0.43	3.24	

(b) Restricted share units ("RSU")

On December 16, 2019, the Company adopted a Restricted Share Unit Plan (the "RSU Plan"), subject to TSX-V and disinterested shareholder approval of the Company's Omnibus LTIP. The Company's Omnibus LTIP was approved at the Company's annual general meeting on September 16, 2021. The maximum aggregate number of shares reserved for issuance under the RSU Plan, together with the Company's Stock Option Plan shall not exceed a combined total of 10% of the Company's issued and outstanding shares. In addition, the RSU Plan sets out certain other restrictions in respect of grants to certain participants under the RSU Plan in accordance with the rules of the TSX-V. The Company granted RSU's before the Plan was approved by the shareholders and TSX-V and these RSUs were valued at the stock price at the end of each reporting period. When the Plan was originally approved on June 19, 2020, the expense related to these granted RSUs was adjusted to the fair value per share as of June 19, 2020.

	Number of RSUs
Balance, December 31, 2019 and September 30, 2020	2,350,000
Balance, December 31, 2020	4,153,333
Converted into common shares	(800,000)
Balance, September 30, 2021	3,353,333

For the three and nine months ended September 30, 2021, the Company recorded share based compensation expense for these RSU's of \$112,287 and \$616,341, respectively (three and nine months ended September 30, 2020 - \$36,243 and \$65,279).

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11. Stock Options, Restricted Share Units and Share Awards (Continued)

(c) Share awards

On December 1, 2020, the Company granted 210,000 share awards to an employee and an officer which are to be settled in cash and vest as follows: 70,000 on each of the first, second and third anniversaries of the date of grant. The fair value of these cash-settled awards is recognized as compensation expense over the period that related services are rendered with a corresponding increase in liabilities. The total amount expensed is recognized over the vesting period, which is the period over which all the specified vesting conditions should be satisfied.

For the three and nine months ended September 30, 2021, the Company recorded share based compensation expense for these share awards of \$16,647 and \$70,583, respectively (three and nine months ended September 30, 2020 - \$nil).

As at September 30, 2021, there were 210,000 share awards outstanding.

12. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties include key management personnel and may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions are recorded at the exchange amount, being the amount agreed to between the related parties.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and members of the Board of Directors.

Remuneration of key management personnel of the Company was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Salaries and fees ⁽¹⁾⁽²⁾	\$ 339,853	\$ 279,337	\$ 856,080	\$ 847,367
Share based compensation	112,287	36,243	616,341	169,046
Change in share award liability	9,512	-	40,333	-
	\$ 461,652	\$ 315,580	\$ 1,512,754	\$ 1,016,413

⁽¹⁾ Management fees and salaries paid to the executive officers and directors for their services.

⁽²⁾ Included in accounts payable and accrued liabilities are fees owing to officers and directors of \$53,505 as at September 30, 2021 (December 31, 2020 - \$26,667).

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13. Segmented Information

The Company operates in three reportable operating segments, being the royalty interests, Ramu Nickel Mine and corporate activities. Operating segment information is as follows:

Three Months Ended September 30, 2021	Royalties	Ramu Nickel Mine	Corporate	Total
Share of operating profit from Ramu Nickel Mine	\$ -	\$ 7,743,727	\$ -	\$ 7,743,727
Operating expenses	-	(252,391)	(516,122)	(768,513)
Financing costs	-	(1,112,792)	-	(1,112,792)
Unrealized gain on marketable securities	-	-	24,284	24,284
Foreign exchange loss	-	(5,221)	(71,538)	(76,759)
Net income (loss)	\$ -	\$ 6,373,323	\$ (563,376)	\$ 5,809,947

Three Months Ended September 30, 2020	Royalties	Ramu Nickel Mine	Corporate	Total
Share of operating profit from Ramu Nickel Mine	\$ -	\$ 268,991	\$ -	\$ 268,991
Operating expenses	-	(122,038)	(424,809)	(546,847)
Financing costs	-	(1,313,972)	575	(1,313,397)
Unrealized gain on marketable securities	-	-	803,745	803,745
Realized gain on marketable securities	-	-	3,899,757	3,899,757
Foreign exchange gain	-	13,317	15,403	28,720
Net income (loss)	\$ -	\$ (1,153,702)	\$ 4,294,671	\$ 3,140,969

Nine Months Ended September 30, 2021	Royalties	Ramu Nickel Mine	Corporate	Total
Share of operating profit from Ramu Nickel Mine	\$ -	\$ 22,625,480	\$ -	\$ 22,625,480
Operating expenses	-	(1,147,891)	(2,075,827)	(3,223,718)
Financing costs	-	(3,450,813)	-	(3,450,813)
Unrealized loss on marketable securities	-	-	(100)	(100)
Carbon offset	-	-	(57,750)	(57,750)
Foreign exchange (loss) gain	-	(6,191)	26,678	20,487
Net income (loss)	\$ -	\$ 18,020,585	\$ (2,106,999)	\$ 15,913,586

Nine Months Ended September 30, 2020	Royalties	Ramu Nickel Mine	Corporate	Total
Share of operating profit from Ramu Nickel Mine	\$ -	\$ 1,643,360	\$ -	\$ 1,643,360
Operating expenses	-	(509,727)	(1,427,685)	(1,937,412)
Financing costs	-	(4,018,361)	11,097	(4,007,264)
Unrealized gain on marketable securities	-	-	247,519	247,519
Realized gain on marketable securities	-	-	3,899,757	3,899,757
Impairment of royalty contracts	(571,081)	-	-	(571,081)
Foreign exchange gain	-	34,928	4,089	39,017
Net loss	\$ (571,081)	\$ (2,849,800)	\$ 2,734,777	\$ (686,104)

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13. Segmented Information (Continued)

The Company has an administrative office in Canada and operations in Australia. Geographical information is as follows:

As at September 30, 2021	Canada	Asia Pacific	Total
Current assets	\$ 3,079,322	\$ 4,331,639	\$ 7,410,961
Non-current assets	25,495,893	131,892,144	157,388,037
Total assets	\$ 28,575,215	\$136,223,783	\$164,798,998
As at December 31, 2020	Canada	Asia Pacific	Total
Current assets	\$ 4,985,415	\$ 17,130,421	\$ 22,115,836
Non-current assets	25,495,893	128,610,925	154,106,818
Total assets	\$ 30,481,308	\$145,741,346	\$176,222,654

14. Contingent Liabilities

(i) On August 24, 2019, the Ramu Nickel Joint Venture ("RNJV") was involved in an environmental incident that resulted in an investigation by the PNG authorities. The investigation has been completed, however the final investigation report is yet to be released. Ramu NiCo Management (MCC) Limited ("RNML"), the Joint Venture Manager, has implemented effective control measures to prevent similar incidents from occurring and compensated local residents approximately PGK 300,000. However, RNML is unable to estimate any possible further compensation amount until the final investigation report is released.

On February 5, 2020, the Madang Provincial government and 13 landowner plaintiffs sued RNML for alleged breach of various environmental laws and commitment of public and private nuisance and negligence by continuously dumping tailings and waste into the Astrolabe and Basamuk Bays. On March 23, 2020, RNML filed its defence. On September 8, 2020, the plaintiffs had then filed a Notice of Motions intending to stop the normal operation of the Ramu project. Subsequently, RNML filed 51 affidavits to defend and a motion seeking to transfer the case to a commercial court. In October 2020, the State of Papua New Guinea through the Conservation and Environment Protection Authority (CEPA) also filed an application to be a second defendant in this case delivering support to the Ramu project. This application was granted by the court. As of the date of signing these financial statements, the case is still in the pre-trial stage and Management is unable to assess the likely result of this case.

No provisions were recognized in the condensed interim consolidated financial statements in relation to these two matters.

(ii) Accounts payable and accrued liabilities contain amounts which are held on behalf of former shareholders of Highlands Pacific Limited, which have not yet been claimed by shareholders following the purchase and subsequent delisting of Highlands Pacific Limited from the Australian Securities Exchange ("ASX").

15. Other Events

(i) The exploration license number 2579 with respect to Ramu Nickel Joint Venture expired in February 2021. MCC Ramu NiCo Limited has applied for renewal of the license in November 2020. The hearing for the renewal of the license was delayed due to the Covid19 situation in PNG and is expected to be conducted by the Mineral Resources Authority in normal course.

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16. Subsequent Event

(i) On October 12, 2021, the Company received a cash payment of \$3,183,137 from MCC Ramu NiCo Limited for its 35% share of the mine's operating surpluses for the half year ended June 30, 2021.

(ii) Subsequent to September 30, 2021, the Company issued 1,900,000 common shares from the exercise of stock options by certain officers, employees, and directors of the Company for gross proceeds of \$817,000.

(iii) On October 27, 2021, the Company announced the Ramu mine's temporary suspension of operations in response to Covid19. On November 15, 2021, 19 days later, the Company announced the restart of production at the Ramu mine following the precautionary temporary suspension of operations and the Company does not expect the closure to have a material impact on its operations or financial results.