



Canada Nickel Company Inc.

Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended July 31, 2021 and 2020

(Expressed in Canadian Dollars, unless otherwise noted)

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 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	As at July 31 2021 \$	As at October 31 2020 \$
ASSETS			
Current assets			
Cash and cash equivalents		11,477,172	11,167,265
Accounts receivable		3,089,732	1,223,397
Loan receivable	4	-	160,224
Prepaid expenses		597,381	274,843
Total current assets		15,164,285	12,825,729
Non-current assets			
Exploration and evaluation assets	5	35,439,226	20,288,628
Property, plant and equipment		1,264,139	35,161
Total assets		51,867,650	33,149,518
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	12	3,600,677	1,475,542
Flow-through share premium	6(a)	2,146,320	282,027
Total liabilities		5,746,997	1,757,569
Shareholders' equity			
Share capital	6	50,930,395	30,729,738
Share-based compensation and warrant reserves		4,150,990	3,739,483
Deficit		(8,960,732)	(3,077,272)
Total shareholders' equity		46,120,653	31,391,949
Total liabilities and shareholders' equity		51,867,650	33,149,518

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 12)

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

	Note	For the three months ended July 31		For the nine months ended July 31	
		2021	2020	2021	2020
		\$	\$	\$	\$
Expenses					
Salaries and management fees		269,087	163,995	622,409	276,930
General and administrative costs		156,171	56,170	402,580	164,913
Professional fees		146,710	157,968	397,840	188,364
Consulting and advisory		201,699	158,120	817,291	369,406
Promotion and communication		192,532	73,753	445,100	312,630
Investor relations and marketing		68,605	202,991	206,953	490,342
Share-based compensation	8,9	1,425,822	129,190	3,267,813	277,812
Travel and other		80	-	5,501	60,182
		2,460,706	942,187	6,165,487	2,140,579
Flow-through share premium	6(a)	-	-	(282,027)	-
Net loss and comprehensive loss		2,460,706	942,187	5,883,460	2,140,579
Loss per share – basic and diluted	10	\$0.03	\$0.01	\$0.07	\$0.04
Weighted average number of shares outstanding		85,136,310	67,389,534	82,455,047	60,240,514

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 nine months ended July 31

	Note	2021	2020
		\$	\$
Operating activities			
Net loss		(5,883,460)	(2,140,579)
Adjustments for non-cash items:			
Share-based compensation		3,267,813	277,812
Flow-through share premium		(282,027)	-
Changes in non-cash working capital items:			
Accounts receivable		(1,866,335)	(899,145)
Prepaid expenses		(147,539)	(229,503)
Accounts payable and accrued liabilities		371,277	1,972,776
Net cash used in operating activities		(4,540,271)	(1,018,639)
Investing activities			
Exploration and evaluation expenditures	5	(12,060,834)	(8,997,973)
Purchase of property, plant and equipment		(1,264,139)	-
Loan receivable, net of repayments	4	-	(574,498)
Net cash used in investing activities		(13,324,973)	(9,572,471)
Financing activities			
Proceeds from share issuances, net of issuance costs	6	11,226,994	10,662,489
Proceeds from exercise of warrants, compensation options and stock options	7,8	6,948,157	-
Net cash provided from financing activities		18,175,151	10,662,489
Cash and cash equivalents, beginning of year		11,167,265	-
Net change in cash and cash equivalents		309,907	71,379
Cash and cash equivalents, end of year		11,477,172	71,379
Supplementary disclosure			
Value of shares issued for acquisitions	5	866,020	8,615,000
Value of shares issued for settlement of accounts payable	6(b)	759,250	137,500

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, 2019		1	-	-	-	-	-
Share issuance – private placements, net	6	35,146,789	9,259,734	-	1,341,074	-	10,600,808
Flow-through share premium	6	-	(1,448,977)	-	-	-	(1,448,977)
Share issuance - acquisitions	5	32,500,000	8,615,000	-	-	-	8,615,000
Share issuance – warrants exercised		108,214	103,298	-	(41,616)	-	61,682
Shares issued to settle accounts payable		275,000	137,500	-	-	-	137,500
Fair value of share-based compensation	8,9	-	-	277,812	-	-	277,812
Net loss for the year		-	-	-	-	(2,140,579)	(2,140,579)
Balance, July 31, 2020		68,030,004	16,666,555	277,812	1,299,458	(2,140,579)	16,103,246
Balance, October 31, 2020		79,939,316	30,729,738	1,165,057	2,574,426	(3,077,272)	31,391,949
Share issuance – flow-through shares, net		2,981,000	11,341,994	-	-	-	11,341,994
Share issuance - warrants exercised	7	3,189,224	8,017,178	-	(1,884,112)	-	6,133,066
Share issuance – compensation options exercised	7	471,450	1,163,548	-	(456,373)	-	707,175
Flow-through share premium		-	(2,146,320)	-	-	-	(2,146,320)
Fair value of share-based compensation	8,9	-	-	3,267,813	-	-	3,267,813
Share issuance – stock options exercised	8	431,664	288,434	(180,518)	-	-	107,916
Share issuance – restricted share units exercised	9	520,750	270,790	(270,790)	-	-	-
Share issuance - acquisitions	5	258,000	866,020	-	-	-	866,020
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 year		-	-	-	-	(5,883,460)	(5,883,460)
Balance, July 31, 2021		88,139,185	50,930,395	3,981,562	169,428	(8,960,732)	46,120,653

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 nine months ended July 31, 2021 and 2020

Unaudited

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 TSX-V:CNC and its common shares also trade on the OTCQX Best Market under the symbol OTCQX: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 entered into a binding letter of intent to acquire six 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 \$9,417,288 as at July 31, 2021, but has incurred losses and negative cashflows from operations and has an accumulated deficit of \$8,960,732. 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 July 31, 2021, the Company has sufficient cash on hand to meet non-discretionary expenses for the next twelve months, but would need additional funds to complete the feasibility study for Crawford and continue with its exploration program. The Company plans to raise additional capital to execute its business plan, however 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 and nine months ended July 31, 2021 and 2020

Unaudited

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 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 September 15, 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 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, 2020, 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 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

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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 makes adjustments to 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 was \$46,120,653 as at July 31, 2021.

4. Loan receivable

On June 26, 2020, the Company extended a \$625,000 interest-free unsecured loan (the "Loan") to Noble Mineral Exploration Inc. ("Noble") maturing on June 25, 2021. Under the terms of the Loan, if Noble sold any of its Canada Nickel shares, a minimum of 50% of the proceeds from that sale must be used as repayment against the Loan until the principal amount of the Loan has been repaid. If Noble failed to make any payment due under the Loan, interest at 12% per annum would accrue (compounded monthly) retroactive to June 26, 2020 until all principal and interest has been repaid. Noble had the right to prepay the Loan at any time. In 2020, Noble repaid \$464,776 of the Loan and in April 2021 the remaining \$160,224 loan balance was forgiven as part of the transaction to acquire additional option properties (see Note 5) whereby, amongst other compensation, the Loan would be forgiven.

In the three months ended January 31, 2020, the Company entered into a \$250,000 promissory note with Noble and a \$400,000 promissory note with Spruce Ridge Resources Ltd. ("Spruce Ridge"). The amounts advanced were unsecured, bear no interest and were due on demand. Both notes were fully repaid in 2020.

Canada Nickel Company Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

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Unaudited

5. Exploration and evaluation assets

	Balance October 31 2020	Additions for the nine months ended July 31 2021	Balance July 31 2021
	\$	\$	\$
Acquisition costs:			
Cash paid	2,500,000	195,000	2,695,000
Loan forgiven	-	160,224	160,224
Shares issued	8,615,000	866,020	9,481,020
Drilling	4,900,706	7,645,654	12,546,360
Assays	1,194,109	949,116	2,143,225
Geological	1,537,304	767,533	2,304,837
Consulting	436,961	1,675,826	2,112,787
Mineralogy	464,059	1,350,072	1,814,131
Obligations to stakeholders	332,743	537,214	869,957
Support costs	307,746	1,003,939	1,311,685
	20,288,628	15,150,598⁽¹⁾	35,439,226

(1) Cash flow spend as per the interim consolidated statement of cash flows for the nine months ended July 31, 2021 was \$12,060,834. The additions for the nine months ended July 31, 2021 in the chart include \$1,140,724 of non-cash payments and \$2,063,520 in net payables.

Crawford Nickel 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.

Canada Nickel Company Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three and nine months ended July 31, 2021 and 2020

Unaudited

5. Exploration and evaluation assets (continued)

Crawford annex and other properties acquired from 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, NesbittNorth, Aubin-Mahaffy, Kingsmill-Aubin, and MacDiarmid) ("Option Properties") range in size of 903 to 5,543 hectares.

The Company can earn up to an 80% interest in each of the Option Properties on the following terms and conditions:

- 1) Canada Nickel can initially earn a 60% interest in each of the Option Properties within 2 years by:
 - funding at least \$500,000 of exploration and development expenditures on each option property;
 - paying all property maintenance costs for each option property, including all applicable mining land taxes; and
 - making a payment to Noble of an additional \$250,000 in cash or, at Noble's election, Canada Nickel common shares.
- 2) Canada Nickel has the right to then increase their interest to 80% in each of the Option Properties within three years by funding an additional \$1,000,000 of exploration and development expenditures on each option property (for a total of \$1,500,000 per option property over three years).

If the conditions to earn a 60% interest or 80% interest have been satisfied, a joint venture would be formed on that basis and a 2% net smelter return royalty would be granted to Noble on the portion of the property which hold mining claims and are without royalty obligations.

On February 17, 2021, the Company entered into a binding letter of intent (LOI) 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 \$169,224 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.

Under the terms of the MacDiarmid Option, a 60% interest in the MacDiarmid Claims will vest to Canada Nickel if it funds at least \$100,000 of exploration and development expenditures on the MacDiarmid Claims within 18 months. An 80% interest in the MacDiarmid Claims will vest to Canada Nickel if it funds at least an additional \$150,000 (for a total of \$250,000) of exploration and development expenditures on the MacDiarmid Claims within 36 months. The Company will also be responsible for exploration expenditures and other costs required to maintain the MacDiarmid Claims in good standing (and to make certain related filings). If the conditions to earn a 60% interest or 80% interest have been satisfied, a joint venture would be formed between Canada Nickel and Noble on such proportionate basis.

Canada Nickel Company Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three and nine months ended July 31, 2021 and 2020

Unaudited

On April 22, 2021, the Company entered into a binding letter of intent with Noble to acquire the Option Properties and the MacDiarmid Option (the "Transaction") plus additional claims held by Noble. Under the terms of the Transaction, the current option agreements with Noble will be terminated and Canada Nickel will acquire 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. Once the transaction is complete, Canada Nickel will own 100% of six additional properties – Crawford/Nesbitt/Aubin, Nesbitt North, Aubin/Mahaffy, Kingsmill/Aubin, MacDiarmid and Bradburn/Dargavel. Closing is expect to occur on or before October 15, 2021 after settlement of final documentation, receipt of final approval from the TSX Venture Exchange, and other customary closing items.

Acquisition of additional properties

In the second quarter of 2021, the Company entered into an option agreement to acquire certain patented mineral and surface rights located near Crawford and acquired additional concessions for consideration of \$195,000 in cash and 58,000 common shares (valued at \$192,020). Annual payments to maintain the option include \$60,000 cash and 5,000 common shares on each anniversary date (commencing March 2022) until 2025. In the event the Company elects to acquire the property a final payment of \$460,000 in cash and 5,000 common shares is required.

Canada Nickel Company Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three and nine months ended July 31, 2021 and 2020

Unaudited

6. 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

		2020		2021	
	Note	Number of Common Shares	Share Capital	Number of Common Shares	Share Capital
		#	\$	#	\$
Balance, October 31		1	-	79,939,316	30,729,738
Share issuance - acquisitions	5	32,000,000	8,000,000	248,000	829,520
Share issuance - equity financings, net	6(a)	24,999,999	6,510,092	-	-
Flow-through share premium	6(a)	-	(550,683)	-	-
Share issuance – warrants exercised	7	-	-	3,189,224	8,017,178
Share issuance – compensation options exercised		-	-	346,950	855,957
Share issuance – stock options exercised		-	-	416,664	178,926
Share issuance – restricted share units exercised		-	-	328,750	170,950
Shares issued to settle 2020 accounts payable	6(b)	275,000	137,500	242,781	45,000
Shares issued to settle 2021 accounts payable	6(b)	-	-	105,000	289,500
Shares to be issued to settle accounts payable	6(b)	-	-	-	64,513
Balance, April 30		57,275,000	14,096,909	84,816,685	41,181,282
Share issuance - acquisitions	5	500,000	615,000	10,000	36,500
Share issuance - equity financings, net	6(a)	10,146,790	2,749,642	2,981,000	11,341,994
Flow-through share premium	6(a)	-	(898,294)	-	(2,146,320)
Share issuance – warrants exercised	7	108,214	103,298	-	-
Share issuance – compensation options exercised	7	-	-	124,500	307,591
Share issuance – stock options exercised	8	-	-	15,000	109,508
Share issuance – restricted share units exercised		-	-	192,000	99,840
Balance, July 31		68,030,004	16,666,555	88,139,185	50,930,395

- (a) On July 27, 2021 the Company completed a broker private placement financing for aggregate gross proceeds of \$12,222,100 through the issuance of 2,981,000 flow-through common shares at a price of \$4.10 per flow-through common share. Costs of issue amounted to \$880,106. The flow-through common shares were issued at a premium to the market price in recognition of the tax benefits accruing to subscriber. The associated share premium liability of \$2,146,320 was recorded.

The Company completed a number of private placements during the six months ended April 30, 2020, which included the sale of 18,986,333 common shares at a price of \$0.25 per share for total gross proceeds of \$4,746,583, the sale of 2,013,666 flow-through common shares at a price of \$0.30 per share for total gross proceeds of \$604,100 and the sale of 4,000,000 flow-through common shares at a price of \$0.3625 per share for total gross proceeds of \$1,450,000. Costs of issue amounted to \$290,591. A flow-through share premium liability of \$550,683 was recorded.

Canada Nickel Company Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

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Unaudited

On May 5, 2020 the Company completed a brokered private placement financing for aggregate gross proceeds of \$4,449,670 by issuing:

- 1,642,890 units of the Company (the "May Units") at a price of \$0.35 per May Unit.
- 4,390,000 flow-through common shares of the Company at a price of \$0.40 per flow-through share.
- 4,113,900 flow-through units of the Company (the "May FT Units") at a price of \$0.515 per May FT Unit.
- Each May Unit and each May FT Unit consisted of one common share (or flow-through share as appropriate) of the Company and one-half of one transferable common share purchase warrant of the Company (each whole common share purchase warrant, a "May Warrant").
- Each of the 2,878,393 May Warrants entitles the holder thereof to acquire one common share of the Company at a price of \$0.57 per common share expiring November 5, 2022, subject to adjustment and acceleration in certain events. The acceleration event was triggered (see Note 7).
 - Additionally, 608,807 broker warrants were issued in conjunction with this May financing, of which 98,573 broker warrants entitles the holder thereof to acquire one common share of the Company at a price of \$0.35 per common share, 263,400 broker warrants entitles the holder thereof to acquire one common share of the Company at a price of \$0.40 per common share and 246,834 broker warrants entitles the holder thereof to acquire one common share of the Company at a price of \$0.46 per common share until November 5, 2022.
 - Share issuance costs totaled \$358,954 and the May Warrants and broker warrants were assigned a fair value of \$1,341,074.

The flow-through common shares were issued at a premium to the market price in recognition of the tax benefits accruing to subscriber. The associated share premium liability of \$898,294 was recorded.

In the three months ending January 31, 2021 the Company reduced its share premium liability to zero from \$282,027 recorded as at October 31, 2020 through its spend on CEE (Cumulative Exploration Expenditures). As of July 31, 2021 the Company has fulfilled its spending obligation in relation to its 2020 flow-through equity raises and is committed to spend \$12,222,100 in CEE prior to the December 31, 2022 in relation to its July 27, 2021 flow-through equity raise.

- (b) The Company issued 200,000 common shares to the First Nations in January 2021 (note 12), 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 obligations of \$277,500 with the issuance of 97,781 common shares (\$232,500 recorded in October 2020). The Company also issued 50,000 common shares to settle additional advisory and professional fee obligations of \$175,000 incurred in 2021.

Canada Nickel Company Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three and nine months ended July 31, 2021 and 2020

Unaudited

7. Warrants and compensation options

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

	Number of warrants	Number of compensation options
	#	#
Balance, October 31, 2020	3,055,746	498,000
Warrants issued on exercise of compensation options	173,475	-
Exercised	(3,117,796)	(346,950)
Balance, April 30, 2021	111,425	151,050
Warrants issued on exercise of compensation options	62,250	-
Exercised	-	(124,500)
Balance, July 31, 2021	173,675	26,550

In the three and nine months ended July 31, 2020 there were 2,878,393 warrants and 608,807 broker warrants granted (note 6(a)) and outstanding at July 31, 2020. There were no compensation options outstanding during the three and nine months ended July 31, 2020.

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.

The Company received \$5,981,798 from the exercise of 2,848,475 September 30, 2020 warrants and \$151,268 from the exercise of 269,321 broker warrants from the May 5, 2020 financing. In addition, the Company received \$707,175 from the exercise of 471,450 broker compensation options.

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7. Warrants and compensation options (continued)

The following table reflects the warrants and compensation options outstanding as at October 31, 2020 and July 31, 2021:

Grant Date	Exercise Price	Outstanding as at October 31 2020	Outstanding as at July 31 2021	Expiry Date	Remaining Life (years)
	\$				
May 5 broker warrants	0.35	54,359	5,382	5-Nov-22	1.3
May 5 broker warrants	0.40	179,933	46,880	5-Nov-22	1.3
May 5 broker warrants	0.46	146,454	59,163	5-Nov-22	1.3
September 30 warrants	2.10	2,675,000	-	30-Sept-22	n/a
Warrants from September 30 compensation options	2.10	-	40,125	30-Sept-22	1.2
Warrants from October 14 compensation options	2.10	-	22,125	30-Sept-22	1.2
		3,055,746	173,675		1.2
September 30 compensation options	1.50	321,000	-	30-Sept-22	n/a
October 14 compensation options	1.50	177,000	26,550	14-Oct-22	1.2
	1.50	498,000	26,550		1.2

The weighted average exercise price for the remaining 173,675 warrants outstanding is \$1.03. The remaining 26,550 compensation options are exercisable at \$1.50 per share in exchange for one common share of the Company and half of a warrant. The warrants are exercisable at a price of \$2.10.

8. Stock options

The following table reflects the continuity of stock options for the three and nine months ended July 31, 2021 and 2020:

	2020	2021
	#	#
Balance, beginning of fiscal year	-	4,850,000
Stock options granted	4,452,500	1,204,500
Exercised	-	(416,664)
Forfeited	-	(346,667)
Balance, April 30	4,452,500	5,291,169
Stock options granted	-	200,000
Exercised	-	(15,000)
Forfeited	-	(43,334)
Balance, July 31	4,452,500	5,432,835

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8. Stock options (continued)

The following table reflects stock options outstanding as at July 31, 2021 and October 31, 2020:

Grant Date	Exercise Price	Outstanding as at October 31 2020	Outstanding as at July 31 2021	Vested as at April 30 2021	Expiry Date	Remaining Life (years)
	\$	#	#			
January 13, 2020	0.25	4,177,500	3,395,835	290,000	13-Jan-25	3.5
February 18, 2020	0.25	275,000	275,000	91,666	18-Feb-25	3.6
August 12, 2020	1.87	60,000	60,000	-	12-Aug-25	4.1
October 27, 2020	1.62	337,500	337,500	-	27-Oct-25	4.3
November 1, 2020	1.62	-	360,000	-	1-Nov-25	4.3
December 8, 2020	1.88	-	100,000	-	8-Dec-25	4.3
February 22, 2021	3.63	-	704,500	-	22-Feb-26	4.6
June 16, 2021	3.57	-	65,000	-	16-June-26	4.9
June 23, 2021	3.39	-	35,000	-	23-June-26	4.9
July 1, 2021	3.54	-	100,000	-	1-July-26	4.9
		4,850,000	5,432,835	381,666		3.8
Weighted average exercise price		\$0.39	\$1.03			

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 \$587,216 and \$1,272,495 for the three and nine months ended July 31, 2021, respectively (\$129,190 and \$277,812 for the three and nine months ended July 31, 2020, respectively) to the interim consolidated statements of loss and comprehensive loss. The Company received \$107,916 from the exercise of 431,664 stock options.

The following table summarizes the assumptions used in the Black-Scholes valuation model for the determination of the cost of stock options issued during the year ended October 31, 2020 and the nine months ended July 31, 2021.

	Jan 13 2020	Feb 18 2020	Aug 12 2020	Oct 27 and Nov 1 2020	Dec 8 2020	Feb 22 2021	June and July 2021
Risk free interest rate	1.66%	1.42%	0.30%	0.26%	0.32%	0.30%	0.65%
Expected life (years)	5	5	5	5	5	5	5
Volatility	100%	100%	100%	100%	100%	134%	117%
Expected dividends	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Forfeiture rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Fair value of options issued	\$0.19	\$0.19	\$1.38	\$1.20	\$1.39	\$3.14	\$2.88

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9. Restricted share units (“RSUs”)

The following table reflects the continuity of RSUs for the three and nine months ended July 31, 2021 and 2020:

	2020	2021
	#	#
Balance, beginning of fiscal year	-	2,265,000
RSUs granted	2,122,500	1,014,762
Exercised		(328,750)
Forfeited		(44,250)
Balance, April 30	2,122,500	2,906,762
RSUs granted	-	104,722
Exercised	-	(192,000)
Forfeited	-	(10,000)
Balance, July 31	2,122,500	2,809,484

The following table reflects RSUs outstanding as at July 31, 2021 and October 31, 2020:

Grant Date	Grant Date Price and Fair Value	Outstanding as at October 31 2020	Outstanding as at April 30 2021	Vested as at April 30 2021
	\$	#	#	#
March 3, 2020	0.52	2,122,500	1,601,750	-
August 12, 2020	1.87	30,000	30,000	-
October 27, 2020	1.62	112,500	112,500	-
November 1, 2020	1.62	-	230,000	-
December 8, 2020	1.88	-	68,617	-
February 22, 2021	3.63	-	661,895	-
June 16, 2021	3.57		27,900	-
June 23, 2021	3.39		17,500	-
July 1, 2021	3.54		59,322	-
	1.36	2,265,000	2,809,484	-

RSUs vest on the anniversary date of the grant, except for 1,601,750 RSUs from the March 3, 2020 grant which have a revised vest date of March 3, 2022. Under the Company’s RSU rollover arrangement certain holders of RSUs that were granted in March 2020 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. These newly issued RSUs will vest one year from the date of grant.

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

The Company also implemented a salary investment incentive program (the "Salary Incentive Program") under which employees and key consultants may elect to receive up to 33% of their base annual compensation in equity as share-settled RSUs based on the grant date share price value as per the terms of its RSU Plan (the "Elected Amount"). The Company will top-up Elected Amounts by 10%, subject to the limitations under the RSU Plan. The Salary Incentive Program is intended to align the interests of employees, consultants and directors with those interests of the Company. Under this program, on February 22, 2021, an aggregate of 64,264 RSUs were issued as part of base annual compensation and a further 6,426 RSUs were granted as the 10% top-up. 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 \$838,606 and \$1,995,318 for the three and nine months ended July 31, 2021, respectively (nil for the three and nine months ended July 31, 2020) to the interim consolidated statements of loss and comprehensive loss.

10. Loss per share

	For the three months ended July 31		For the nine months ended July 31	
	2021	2020	2021	2020
Net loss	\$2,460,706	\$942,187	\$5,883,460	\$2,140,579
Weighted average number of common shares outstanding - basic	85,136,310	67,389,534	82,455,047	60,240,514
Effect of dilutive securities	-	-	-	-
Weighted average number of common shares outstanding - dilutive	85,136,310	67,389,534	82,455,047	60,240,514
Loss per share – basic and diluted	\$ 0.03	\$ 0.01	\$ 0.07	\$ 0.04

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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11. Related party transactions

Related parties and related party transactions impacting the 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 and balances is as follows:

	For the three months ended July 31		For the nine months ended July 31	
	2021	2020	2021	2020
	\$	\$	\$	\$
Management and directors' fees	123,500	63,000	379,167	237,000
Share-based compensation	837,867	73,409	2,039,043	157,860
Accounting and financial services	-	13,968	-	37,366

These transactions are in the normal course of operations and have been valued in these consolidated financial statements at the amount of consideration established and agreed to by the related parties.

Amounts payable to related parties were as follows:

	July 31 2021	October 31 2020
	\$	\$
Fees owing to management for expense reimbursement	-	32,287
Fees owing to directors for board fees and advisory	-	47,970
Marrelli Support Services Inc.	-	24,178

Marrelli Support Services Inc. provided bookkeeping and office support services for the Company, including contract Chief Financial Officer ("CFO") services. Robert D.B. Suttie acted as CFO for the Company from December 1, 2019 to October 31, 2020.

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12. Commitments and contingencies

At July 31, 2021 the Company has \$2.7 million in payables owing with respect to exploration and evaluation assets and property, plant and equipment.

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 Project area. The agreement also provides the communities with an opportunity to participate in the benefits of the 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 2% of the annual expenses related to the Company's exploration program.

13. Financial instruments

Fair values

At July 31, 2021, the Company's financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. 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 – none

Level 2 – cash and cash equivalents

Level 3 – none

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

- Credit risk; and
- Liquidity risk

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13. Financial instruments (continued)

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. 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. Loans and account receivables consist of accounts receivable created in the course of normal business along with recoverable service taxes.

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 July 31, 2021, 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.

Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar with minimal exposure to other currencies.