



NiCAN Limited

Condensed Interim Financial Statements

(Unaudited - expressed in Canadian dollars)

June 30, 2023



NOTICE OF NO AUDITOR REVIEW OF CONDENSED 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 condensed interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by management and reviewed by the Audit Committee and Board of Directors of the Company.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity's auditor.

STATEMENTS OF FINANCIAL POSITION

(Unaudited - expressed in Canadian dollars)

| | Note | June 30, 2023 | December 31, 2022 |
|---------------------------------------------------|------------|------------------|-------------------|
| | | \$ | \$ |
| ASSETS | | | |
| Current | | | |
| Cash | | 2,602,130 | 4,608,703 |
| Prepaid expenses | | 93,736 | 45,934 |
| Receivables | | 42,882 | 80,375 |
| Total Current Assets | | 2,738,748 | 4,735,012 |
| TOTAL ASSETS | | 2,738,748 | 4,735,012 |
| LIABILITIES | | | |
| Current | | | |
| Accounts payable and accrued liabilities | 4,7 | 59,577 | 70,735 |
| Flow-through share premium liability | 5 | 122,745 | 295,023 |
| Total Current Liabilities | | 182,322 | 365,758 |
| TOTAL LIABILITIES | | 182,322 | 365,758 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 6 | 9,085,882 | 9,085,882 |
| Share-based payments reserve | 6 | 259,964 | 356,496 |
| Deficit | | (6,789,420) | (5,073,124) |
| TOTAL SHAREHOLDERS' EQUITY | | 2,556,426 | 4,369,254 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 2,738,748 | 4,735,012 |

Nature and continuance of operations – Note 1

Approved on behalf of the Board on August 22, 2023:

/s/ Mike Hoffman
Chair of the Board

/s/ Brad Humphrey
Director

STATEMENT OF LOSS AND COMPREHENSIVE LOSS

(Unaudited - expressed in Canadian dollars)

| | Note | Three Months Ended June 30, 2023 \$ | Three Months Ended June 30, 2022 \$ | Six Months Ended June 30, 2023 \$ | Six Months Ended June 30, 2022 \$ |
|------------------------------------------|------|----------------------------------------------|----------------------------------------------|--------------------------------------------|--------------------------------------------|
| OPERATING EXPENSES | | | | | |
| Exploration expenditures | 8 | 14,689 | 515,505 | 1,550,537 | 1,800,333 |
| Management fees | 7 | 89,200 | 59,700 | 178,400 | 115,600 |
| General and administrative | | 36,412 | 19,393 | 108,059 | 36,000 |
| Director fees | 7 | 53,541 | 18,000 | 101,292 | 82,023 |
| Marketing and investor relations | | 66,095 | 17,953 | 99,692 | 29,953 |
| Professional fees | | 8,406 | 133,124 | 18,713 | 178,124 |
| TOTAL OPERATING EXPENSES | | 268,343 | 763,675 | 2,056,693 | 2,242,033 |
| OTHER INCOME | | | | | |
| Flow-through premium recovery | 5 | 20,967 | 85,133 | 172,278 | 726,207 |
| Interest income | | 29,895 | 620 | 71,587 | 1,830 |
| TOTAL OTHER INCOME | | 50,862 | 85,753 | 243,865 | 728,037 |
| LOSS AND COMPREHENSIVE LOSS | | (217,481) | (677,922) | (1,812,828) | (1,513,996) |
| LOSS PER SHARE | | | | | |
| Basic and diluted | | (0.00) | (0.01) | (0.03) | (0.03) |
| WEIGHTED AVERAGE NUMBER OF SHARES | | | | | |
| Basic and diluted | | 69,398,902 | 51,758,000 | 69,398,902 | 51,758,000 |

STATEMENT OF CASH FLOWS

(Unaudited - expressed in Canadian dollars)

| | Six Months Ended June 30, | |
|------------------------------------------------------|---------------------------|--------------------|
| | 2023 | 2022 |
| | \$ | \$ |
| OPERATING ACTIVITIES | | |
| Loss and comprehensive loss for the period | (1,812,828) | (1,513,996) |
| Adjusted for: | | |
| Flow-through premium recovery | (172,278) | (726,207) |
| Changes in non-cash working capital items | | |
| Prepaid expenses | (47,802) | 55,372 |
| Receivables | 37,493 | 20,908 |
| Accounts payable and accrued liabilities | (11,158) | 260,696 |
| Cash used in operating activities | (2,006,573) | (1,903,227) |
| DECREASE IN CASH | (2,006,573) | (1,903,227) |
| CASH - BEGINNING OF PERIOD | 4,608,703 | 2,201,254 |
| CASH - END OF PERIOD | 2,602,130 | 298,027 |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | |
| Agents warrants issued for payment of financing fees | - | 96,532 |
| Share subscriptions received in advance | - | 6,108,676 |

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited - expressed in Canadian dollars)

| | Number of common shares | Share capital \$ | Share-based payments reserve \$ | Deficit \$ | Total \$ |
|------------------------------------|-------------------------------|------------------------|------------------------------------------|--------------------|------------------|
| BALANCE, DECEMBER 31, 2021 | 51,758,000 | 2,532,563 | 199,764 | (1,275,202) | 1,457,125 |
| Agent warrants | - | (96,532) | 96,532 | - | - |
| Loss for the period | - | - | - | (836,075) | (836,075) |
| BALANCE, JUNE 30, 2022 | 51,758,000 | 2,436,031 | 296,296 | (2,111,277) | 621,050 |
| Shares issued by private placement | 14,534,770 | 6,130,319 | - | - | 6,130,319 |
| Share issue costs | - | (475,171) | - | - | (475,171) |
| Shares issued on reverse takeover | 3,106,132 | 1,310,000 | - | - | 1,310,000 |
| Flow-through share premium | - | (315,297) | - | - | (315,297) |
| Expiry of warrants | - | - | (5,452) | 5,452 | - |
| Shares-based compensation | - | - | 65,652 | - | 65,652 |
| Loss for the period | - | - | - | (2,967,299) | (2,967,299) |
| BALANCE, DECEMBER 31, 2022 | 69,398,902 | 9,085,882 | 356,496 | (5,073,124) | 4,369,254 |
| Expiry of warrants | - | - | (96,532) | 96,532 | - |
| Loss for the period | - | - | - | (1,812,828) | (1,812,828) |
| BALANCE, JUNE 30, 2023 | 69,398,902 | 9,085,882 | 259,964 | (6,789,420) | 2,556,426 |

1. NATURE AND CONTINUANCE OF OPERATIONS

NiCAN Limited (the "Company" or "NiCAN") was incorporated under the laws of the Province of Ontario, Canada on April 6, 2021, and its principal business activity is the exploration and evaluation of mineral properties. The Company's corporate office is located at 390 Bay Street, Suite 700A, Toronto, Ontario.

These condensed interim financial statements are prepared on a going concern basis that assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses since inception and has no source of recurring revenue. The success of the Company is dependent upon the ability of the Company to obtain necessary financing to continue its exploration and development activities, the confirmation of economically recoverable reserves and resources, and upon establishing future profitable production, or realization of proceeds on disposal. The Company will require additional funding to maintain its activities and operations for the upcoming fiscal year. All of the preceding indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. These condensed interim financial statements do not give effect to the adjustments that would be necessary to the carrying value and classification of assets and liabilities should the Company be unable to continue as a going concern.

There are many external factors that can adversely affect general workforces, economies and financial markets globally. Examples include, but are not limited to, the COVID-19 global pandemic and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and their effect on the Company's business or ability to raise funds.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting using the same accounting policies and methods of application as the audited annual financial statements for the period ended December 31, 2022, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Accordingly, certain information and footnote disclosure normally included in annual financial statements have been omitted or condensed.

These condensed interim financial statements should be read in conjunction with the audited financial statements of the Company as at and for the period ended December 31, 2022.

On August 22, 2023, the Board of Directors of the Company approved these condensed interim financial statements for the six months ended June 30, 2023.

3. REVERSE TAKEOVER

On July 26, 2022, the Company and 1287390 BC Ltd. ("1287390") completed an amalgamation pursuant to an amalgamation agreement dated March 3, 2022 (the "RTO Transaction"), and amended on June 29, 2022 and July 19, 2022, whereby each common share of NiCAN and each consolidated share of 1287390 were exchanged for one common share in the amalgamated entity (the "Resulting Issuer"). Prior to completion of the amalgamation, 1287390 completed a 1:0.728 reverse split of its existing outstanding common shares (the "Consolidated Shares").

The substance of the transaction is a reverse takeover acquisition of 1287390 as NiCAN obtained control of the Resulting Issuer. The amalgamation has been accounted for as a reverse acquisition transaction in accordance with the guidance provided in IFRS 2, Share-based Payments and IFRS 3, Business Combinations. As the Company did not qualify as a business pursuant to IFRS 3, the RTO Transaction does not constitute a business combination. The RTO Transaction is treated as an issuance of common shares by the Company for the acquisition of net assets of 1287390 and its public listing. The net purchase price was determined as an equity-settled share-based payment under IFRS 2, at the fair value of the equity instruments of the Company retained by the shareholders of 1287390, based on the fair value of the Company's common shares on the date of the closing of the transaction.

The fair value of the consideration paid and transaction costs incurred, net of the net assets acquired, has been recognized as listing costs in the statements of loss and comprehensive loss. These financial statements reflect the assets, liabilities and operations of NiCAN since its incorporation and of the Resulting Issuer from July 26, 2022.

The following represents the fair value of 1287390 net assets acquired as a result of the RTO Transaction:

| | |
|------------------------------------------------------------------|---------------------|
| CONSIDERATION | |
| Common shares – 3,106,132 at \$0.42 per share | \$ 1,310,000 |
| IDENTIFIABLE NET LIABILITIES ASSUMED | |
| Cash | \$ 1,543 |
| Sales tax receivable | 4,075 |
| Accounts payable and accrued liabilities | (48,226) |
| | \$ (42,608) |
| Listing costs expensed | 1,352,608 |
| TOTAL NET IDENTIFIABLE ASSETS ASSUMED AND LISTING EXPENSE | \$ 1,310,000 |

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | June 30, 2023 | December 31, 2022 |
|---------------------|------------------|----------------------|
| Accounts payable | \$ 28,577 | \$ 23,641 |
| Accrued liabilities | 31,000 | 47,094 |
| TOTAL | \$ 59,577 | \$ 70,735 |

5. FLOW-THROUGH SHARE PREMIUM LIABILITY

Flow-through share premium liabilities consist of the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the issued flow-through shares:

| | Amount |
|---------------------------------------------------------------------|-------------------|
| BALANCE AT DECEMBER 31, 2021 | \$ 726,207 |
| Liability incurred on flow-through shares issued during the period | 315,297 |
| Settlement of flow-through share liability on incurred expenditures | (746,481) |
| BALANCE AT DECEMBER 31, 2022 | 295,023 |
| Settlement of flow-through share liability on incurred expenditures | (172,278) |
| BALANCE AT JUNE 30, 2023 | \$ 122,745 |

On July 26, 2022, the Company issued 6,305,946 flow-through shares at a price of \$0.45 per share for gross proceeds of \$2,837,676 (Note 6). A flow-through premium liability of \$0.05 per share was recorded for the flow-through shares.

During the six months ended June 30, 2023, the Company incurred \$1,550,537 of eligible flow-through expenditures to be applied to the flow-through shares issued in July 2022. A total flow-through share premium liability of \$172,278 was amortized to flow-through premium recovery on the statements of loss and comprehensive loss.

6. SHARE CAPITAL

a) Share capital

Authorized: an unlimited number of common shares with no par value.

Issued: 69,398,902 common shares.

On March 30, 2022, in connection with the RTO Transaction, the Company issued 14,483,446 subscription receipts, consisting of: (i) 8,177,500 non-flow-through subscription receipts at a price of \$0.40 each, and (ii) 6,305,946 flow-through subscription receipts at a price of \$0.45 each, for aggregate gross proceeds of \$6,108,676 (collectively, the "Offering"). On completion of the RTO Transaction on July 26, 2022, the subscription receipts were exchanged for 8,177,500 common shares and 6,305,946 flow-through common shares, respectively. A flow-through premium liability of \$0.05 per share, \$315,297 in total, was recorded for the flow-through shares (Note 5). In addition, the Company paid \$362,743 in cash finders' fees in connection with the Offering as well as 843,823 finder's warrants with a fair value of \$96,532. Each finder's warrant is exercisable to acquire one common share of the Company at a price of \$0.40 for a period of 12 months following the closing of the Offering. On July 18, 2022, 1287390 completed a non-brokered private placement of 51,324 common shares of the Resulting Issuer at a price of \$0.42 per share for total proceeds of \$21,643.

On July 26, 2022, in connection with the completion of the RTO Transaction (Note 3), the Company issued 3,106,132 common shares to the shareholders of 1287390 for total consideration of \$1,310,000.

Escrow agreements between the Company and certain shareholders, including directors and insiders, totaling 17,013,332 shares, were entered into whereby the shares held in escrow will be released as follows: 10% of the shares were released on August 11, 2022, an additional 15% of the shares will be released each 6 months and 3 days following the Final Exchange Bulletin date (July 26, 2022) thereafter, with the final 15% of the shares released on July 29, 2025. As at December 31, 2022, a total of 15,312,000 shares remained in escrow.

There were no share issuances during the six months ended June 30, 2023.

b) Stock Options

The Company has adopted a share option plan that allows for the issuance of up to 10% of the issued and outstanding shares as incentive share options to directors, officers, employees, and consultants to the Company. Share options granted under the plan may be subject to vesting provisions as determined by the Board of Directors.

There were no stock option grants and the Company did not record any share-based compensation expense during

the six months ended June 30, 2023.

The following table summarizes information about the share options as at June 30, 2023:

| Grant Date | Number of options outstanding | Exercise price per share of options | Weighted average remaining life | Grant date fair value | Number of options exercisable | Expiry date |
|-------------------|-------------------------------|-------------------------------------|---------------------------------|-----------------------|-------------------------------|-------------------|
| December 13, 2021 | 2,500,000 | \$0.25 | 3.46 | \$0.08 | 2,500,000 | December 13, 2026 |
| August 10, 2022 | 500,000 | \$0.25 | 4.12 | \$0.13 | 500,000 | August 10, 2027 |

Stock option transactions are summarized as follows:

| | Number | Weighted Average Exercise Price |
|-----------------------------------|------------------|---------------------------------|
| BALANCE, DECEMBER 31, 2021 | 2,500,000 | 0.25 |
| Granted | 500,000 | 0.25 |
| BALANCE, DECEMBER 31, 2022 | 3,000,000 | \$ 0.25 |
| JUNE 30, 2023 | 3,000,000 | \$ 0.25 |

The fair value of the stock options issued was estimated using the Black-Scholes option pricing model with the following assumptions:

| Issue date | Expected Option life (years) | Risk free interest rate | Dividend yield | Expected volatility ⁽¹⁾ | Weighted average fair value |
|-----------------|------------------------------|-------------------------|----------------|------------------------------------|-----------------------------|
| August 10, 2022 | 5.00 | 2.85% | nil | 99% | \$0.13 |

⁽¹⁾ Expected volatility has been determined using the historical share price of the comparable companies for the period equivalent to the expected life of the options.

c) **Warrants**

Warrant transactions are summarized as follows:

| | Number | Weighted Average Exercise Price |
|-----------------------------------|----------------|---------------------------------|
| BALANCE, DECEMBER 31, 2021 | 331,200 | \$ 0.25 |
| Issued | 843,823 | 0.40 |
| Expired | (331,200) | 0.25 |
| BALANCE, DECEMBER 31, 2022 | 843,823 | \$ 0.40 |
| Expired | (843,823) | 0.40 |
| BALANCE, JUNE 30, 2023 | - | - |

The fair value of the agents warrants issued was estimated using the Black-Scholes option pricing model with the following assumptions:

| Issue date | Expected Warrant life (years) | Risk free interest rate | Dividend yield | Expected volatility ⁽¹⁾ | Weighted average fair value |
|---------------|-------------------------------|-------------------------|----------------|------------------------------------|-----------------------------|
| June 30, 2022 | 1.00 | 2.37% | Nil | 71% | \$0.11 |

⁽¹⁾ Expected volatility has been determined using the historical share price of the comparable companies for the period equivalent to the expected life of the options.

7. RELATED PARTY BALANCES AND TRANSACTIONS

Key Management Compensation

The key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of executive and non-executive members of the Company's Board of Directors and corporate officers. Their remuneration includes the following:

| | Six months ended June 30, | |
|-----------------|---------------------------|-------------------|
| | 2023 | 2022 |
| Management fees | \$ 178,400 | \$ 115,600 |
| Director fees | 101,292 | 36,000 |
| TOTAL | \$ 279,692 | \$ 151,600 |

As at June 30, 2023, accounts payable and accrued liabilities include \$27,580 (December 31, 2022 - \$1,273) payable to directors and officers of the Company.

8. EXPLORATION PROPERTIES

| | Wine | Pipy | Total |
|---------------------------------------------------|---------------------|-------------------|---------------------|
| CUMULATIVE EXPENDITURES, DECEMBER 31, 2021 | \$ 573,484 | \$ 258,342 | \$ 831,826 |
| Property acquisitions | 100,000 | 100,000 | 200,000 |
| Airborne geophysics | 153,634 | – | 153,634 |
| Assays | 24,208 | – | 24,208 |
| Camp supplies and field expenses | 48,759 | 2,416 | 51,175 |
| Claim staking and maintenance | – | 52,000 | 52,000 |
| Consulting | 151,964 | 70,200 | 222,164 |
| Drilling | 708,282 | – | 708,282 |
| Field transportation | 474,373 | – | 474,373 |
| Government grants | (50,000) | – | (50,000) |
| Ground geophysics | 133,743 | – | 133,743 |
| Line cutting | 5,000 | – | 5,000 |
| CUMULATIVE EXPENDITURES, DECEMBER 31, 2022 | 2,323,447 | 482,958 | 2,806,405 |
| Assays | \$ 46,220 | \$ – | \$ 46,220 |
| Camp supplies and field expenses | 17,845 | 608 | 18,453 |
| Claim staking and maintenance | 900 | – | 900 |
| Consulting | 124,965 | 32,362 | 157,327 |
| Drilling | 710,922 | – | 710,922 |
| Equipment | 29,030 | – | 29,030 |
| Field transportation | 658,530 | – | 658,530 |
| General and administrative | 413 | 4,242 | 4,655 |
| Government grants | (150,000) | – | (150,000) |
| Ground geophysics | 9,500 | – | 9,500 |
| Line cutting | 65,000 | – | 65,000 |
| TOTAL, JUNE 30, 2023 | 1,513,325 | 37,212 | 1,550,537 |
| CUMULATIVE, JUNE 30, 2023 | \$ 3,836,772 | \$ 520,170 | \$ 4,356,942 |

a) Wine Property

The Wine property, comprised of 24 mineral claims, is located in northwestern Manitoba. The Company staked 22 of these claims in 2021 and acquired the additional two from W.S. Ferreira Limited (“Ferreira”) through a Mineral Property Acquisition Agreement for the following consideration:

- Initial cash payment of \$50,000 and the issuance of 1,000,000 shares at a value of \$0.05 per share (issued).
- A second cash payment of \$100,000 on May 7, 2022.
- A 2% net smelter royalty, with an option to repurchase 50% (1%) of the royalty for \$1,000,000 at any time and an option to repurchase an additional 50% (0.5%) of the remaining royalty for \$1,000,000 at any time.
- All payments have been completed and NiCAN holds a 100% interest.

The claims have an annual expenditure requirement of \$12.50 per hectare (\$51,913 total) for the first ten years and then \$25 per hectare thereafter (\$103,825 total).

b) Pipy Property

The Pipy property, comprised of 20 mineral claims, is located in northeastern Manitoba. The Company staked 17 of these claims in 2021 and 2022 and acquired the other 3 from Ferreira through a Mineral Property Acquisition Agreement for the following consideration:

- Initial cash payment of \$50,000 and the issuance of 1,000,000 shares at a value of \$0.05 per share (issued).
- A second cash payment of \$100,000 on May 7, 2022.
- A 2% net smelter royalty, with an option to repurchase 50% (1%) of the royalty for \$1,000,000 at any time and an option to repurchase an additional 50% (0.5%) of the remaining royalty for \$1,000,000 at any time.
- All payments have been completed and NiCAN holds a 100% interest.

The claims have an annual expenditure requirement of \$12.50 per hectare (\$15,900 total) for the first ten years and then \$25 per hectare thereafter (\$31,800 total).

9. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern. The Company monitors its adjusted capital, which comprises all components of shareholders' equity. The Company manages and adjusts its capital structure based on current economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue common shares through private placements. The Company is not exposed to any externally imposed capital requirements. No changes were made to the Company's capital management practices during the six months ended June 30, 2023.

10. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of risks related to financial instruments. The Board approves and monitors the risk management processes. The principal types of risk exposure and the way in which they are managed are as follows:

a) Credit Risk

The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from its operations. Cash consists of bank balances for which the Company considers credit risk to be immaterial as cash is mainly held through large Canadian financial institutions. Receivables balance consists of sales taxes due from the Federal Government of Canada.

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. On June 30, 2023, the Company had working capital of \$2,556,426 (December 31, 2022 – \$4,369,254).

c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. There is no interest rate risk related to the Company's financing liabilities. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with a Canadian chartered bank. The Company considers this risk to be immaterial.

d) Commodity price risk

The Company is exposed to price risk with respect to commodity prices. Precious and base metal prices fluctuate daily and are affected by numerous factors outside of the Company's control, including, but not limited to, the perception of market participants about the price and future price prospects for nickel, changes in manufacturing and construction activity as well as other industrial demands, levels of worldwide production, and forward sales by producers and speculators.

e) Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

The fair value of the Company's receivables and accounts payable and accrued liabilities approximates their carrying value because of the short-term nature of the financial instruments. The Company's cash and cash equivalents are measured at fair value using Level 1 inputs.