NiCAN Limited

Financial Statements

(Expressed in Canadian dollars)

December 31, 2021

INDEPENDENT AUDITOR'S REPORT

To the Directors of
NiCAN Limited

Opinion

We have audited the accompanying financial statements of NiCAN Limited (the "Company"), which comprise the statement of financial position as at December 31, 2021, and the statements of loss and comprehensive loss, cash flows, changes shareholders' equity for the period from incorporation on April 6, 2021 to December 31, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the period from incorporation on April 6, 2021 to December 31, 2021 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates the Company has incurred losses since inception and has no source of recurring revenue. As stated in Note 1, these events and conditions indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

March 3, 2022

STATEMENT OF FINANCIAL POSITION

(Expressed in Canadian dollars)

	Note	December 31, 2021
		$
ASSETS		
Current		
Cash		2,201,254
Prepaid expenses		55,372
Receivables		76,211
Total Current Assets		2,332,837
TOTAL ASSETS		**2,332,837**
LIABILITIES		
Current		
Accounts payable and accrued liabilities	5, 9	149,505
Flow-through share premium liability	6	726,207
Total Current Liabilities		875,712
TOTAL LIABILITIES		**875,712**
SHAREHOLDERS' EQUITY		
Share capital	7	2,532,563
Share-based payments reserve	7	199,764
Deficit		(1,275,202)
TOTAL SHAREHOLDERS' EQUITY		**1,457,125**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,332,837**

Nature and continuance of operations – Note 1
Subsequent event – Note 13

Approved on behalf of the Board on March 3, 2022:

/s/ Mike Hoffman	/s/ Brad Humphrey
Chairman	Director

STATEMENT OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian dollars)

	Note	Period from incorporation on April 6, 2021 to December 31, 2021
		$
OPERATING EXPENSES		
Exploration expenditures	**10**	831,826
Share-based compensation	**7, 9**	194,312
Professional fees		127,984
Management fees	**9**	111,950
Director fees	**9**	35,250
General and administrative		23,591
Marketing and investor relations		20,175
TOTAL OPERATING EXPENSES		**1,345,088**
OTHER INCOME		
Flow-through premium recovery	**6**	68,453
Interest income		1,343
TOTAL OTHER INCOME		**69,886**
LOSS AND COMPREHENSIVE LOSS		**(1,275,202)**
LOSS PER SHARE		
Basic and diluted		(0.03)
WEIGHTED AVERAGE NUMBER OF SHARES		
Basic and diluted		42,216,185

STATEMENT OF CASH FLOWS

(Expressed in Canadian dollars)

	Period from incorporation on April 6, 2021 to December 31, 2021 $
CASH (USED IN) PROVIDED BY:	
OPERATING ACTIVITIES	
Loss and comprehensive loss for the period	(1,275,202)
Shares issued for property acquisitions	100,000
Flow-through premium recovery	(68,543)
Share-based compensation	194,312
Changes in non-cash working capital items	
Prepaid expenses	(55,372)
Receivables	(76,211)
Accounts payable and accrued liabilities	149,505
Total cash flows used in operating activities	(1,031,511)
FINANCING ACTIVITIES	
Issuance of common shares	1,680,000
Issuance of flow-through common shares	1,589,500
Share issuance costs	(36,735)
Total cash flows provided by financing activities	3,232,765
INCREASE IN CASH	2,201,254
CASH - BEGINNING OF PERIOD	–
CASH - END OF PERIOD	**2,201,254**

NON-CASH TRANSACTIONS:	**Period from incorporation on April 6, 2021 to December 31, 2021**
Agents' warrants issued for payment of financing fees	5,452
Flow-through share premium liability	794,750

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian dollars)

	Note	Number of common shares	Share capital	Share-based payments reserve	Deficit	Total
			$	$	$	$
BALANCE, APRIL 6, 2021		–	–	–	–	–
Shares issued on incorporation	7	5,050,000	5,050	–	–	5,050
Shares issued by direct subscription	7	4,950,000	4,950	–	–	4,950
Shares issued by private placement	7	33,400,000	1,670,000	–	–	1,670,000
Shares issued for the acquisition of properties	7	2,000,000	100,000	–	–	100,000
Shares issued by private placement	7	6,358,000	1,589,500	–	–	1,589,500
Share issue costs	7	–	(36,735)	–	–	(36,735)
Share issue costs – agents' warrants	7	–	(5,452)	5,452	–	–
Flow-through share premium	6	–	(794,750)	–	–	(794,750)
Shares-based compensation	7	–	–	194,312	–	194,312
Loss for the period		–	–	–	(1,275,202)	(1,275,202)
BALANCE, DECEMBER 31, 2021		**51,758,000**	**2,532,563**	**199,764**	**(1,275,202)**	**1,457,125**

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 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 their exploration and development activities, the confirmation of economically recoverable reserves, 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 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.

The Company’s business could be adversely affected by the effects of the continued outbreak of respiratory illness caused by the novel coronavirus (“COVID 19”). Several significant measures have been implemented in Canada and the rest of the world by authorities in response to the ongoing impact of COVID-19. While the Company has experienced only nominal impacts to the supply chain, the Company cannot accurately predict the impact COVID 19 will have on the future ability of third parties to provide necessary supplies to the Company resulting from uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the nature and length of travel and quarantine restrictions imposed by governments of affected countries. The continued prevalence of the COVID-19 globally could materially and adversely impact the Company’s business including, without limitation, employee health, limitations on travel, the availability of industry experts and personnel, restrictions on planned drill programs and other factors that depend on future developments beyond the Company’s control. In addition, the significant outbreak of a contagious disease has resulted in a widespread health crisis that has adversely affected the economies and financial markets of many countries (including Canada), resulting in a potential economic downturn that may negatively impact the Company’s financial position, financial performance, cash flows, and its ability to raise capital.

2. BASIS OF PRESENTATION

Statement of compliance

The financial statements have been prepared in accordance with 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").

Basis of Measurement and Presentation

These financial statements have been prepared on a historical cost basis, except for certain financial assets that are carried at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial Instruments

a) Financial Assets

Initial recognition and measurement
Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either fair value through profit and loss (“FVTPL”) or fair value through other comprehensive income (“FVOCI”), and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVTPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Cash is measured at FVTPL.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVTPL or at amortized cost. Other accounts receivable held for collection of contractual cash flows are measured at amortized cost.

Subsequent Measurement
Financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. EIR amortization is included in finance income in the statement of loss and comprehensive loss.

Financial assets measured at FVTPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVTPL are carried at fair value in the statement of financial position with changes in fair value recognized in other income or expense in the statement of loss and comprehensive loss.

Impairment of financial assets
The Company’s only financial assets subject to impairment are sales tax receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, amounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases, and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

b) Financial Liabilities

Initial recognition and measurement
Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVTPL. The Company’s financial liabilities include accounts payable and accrued liabilities, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value.

Subsequent measurement – financial liabilities at amortized cost
After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statement of loss and comprehensive loss.

c) Derecognition

- **Financial assets -** The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statement of loss and comprehensive loss.

- **Financial liabilities -** The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets.

Cash
Cash is unrestricted as to use and consist of deposits and short-term interest-bearing accounts with original maturities of 90 days or less.

Exploration and Evaluation Expenditures
Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the acquisition date fair value of exploration and evaluation assets acquired in a business combination or an asset acquisition. Exploration and evaluation expenditures are expensed as incurred. Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized into property, plant and equipment. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

Decommissioning Liabilities
A legal or constructive obligation to incur decommissioning liabilities may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site disturbance which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

Impairment of Non-Financial Assets
Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets, including equipment are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying

value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of individual assets, the impairment test is carried out on the asset's cash-generation unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely dependent of the cash inflows from other assets. An impairment loss is charged to the profit or loss, except to the extent they reverse gains previously recognized in other comprehensive income/loss.

Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to taxes payable with regards to previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. At the end of each reporting year, the Company reassesses unrecognized tax deferred assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

Share-Based Payments

Where equity-settled share options are awarded to employees and consultants, the fair value of the options at the date of grant is charged to the statement of loss and comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition of where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of loss and comprehensive loss over the remaining vesting period. When stock options and warrants are granted by the Company the corresponding increase is recorded to share-based payments reserve.

The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period based on the Company's estimate of options that will eventually vest. The number of forfeitures likely to occur is estimated on the grant date.

Where equity instruments are granted to employees, they are recorded at the fair value at the grant date. The grant date fair value is recognized in loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of loss and comprehensive loss. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the transaction is measured at the fair value of the equity instrument granted.

All equity-settled share-based payments are reflected in share-based payments reserve, until exercised. Upon exercise, the shares are issued from treasury and the amount reflected in share-based payments reserve is credited to share capital for any consideration paid.

Where cash-settled share-based payments are granted, the goods or services acquired and the liability incurred is measured at the fair value of the liability. Until the liability is settled, the fair value is re-measured at the end of each reporting period and at the date of settlement, by applying an option pricing model, with any changes in fair value recognized in profit or loss for the period. The measurement of the liability takes into account, the terms and conditions on which the share appreciation rights were granted and to the extent to which the employees or consultants have rendered service to the date of measurement. Unexercised expired stock options and warrants are transferred to deficit.

Provisions

A provision is recognized in the statement of financial position when the Company has a present, legal, or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in provision due to passage of time is recognized as interest expense.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under contract. At each statement of financial position reporting date, provisions are reviewed and adjusted to reflect the current best estimate of the expenditure required to settle the present obligation.

Income (Loss) per Share

Basic income (loss) per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted income (loss) per share is calculated by assuming that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted income (loss) per share calculation. The diluted Income (loss) per share calculation excludes any potential conversion of options and warrants that would decrease loss per share or increase income per share. The diluted income (loss) per share is the same as basic income (loss) per share for the periods presented as the effects of including all outstanding options and warrants would be anti-dilutive.

Flow-through Shares

The Company may, from time to time, issue flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource properties to investors. On the date of issuance of the flow-through shares, the premium relating to the proceeds received in excess of the fair value of the Company's common shares is allocated to flow-through share premium liability. Renouncement is prospective, the Company derecognizes the premium liability as qualifying flow-through expenditures are incurred. The reduction to the premium liability in the period of renunciation is recognized through the statement of loss and comprehensive loss.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the look-back rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is reflected as a financial expense.

Government Assistance

The Company records the proceeds of Government assistance programs when the amounts are known and recovery is reasonably assured. The amounts recovered are reflected in the statement of loss and comprehensive loss.

Significant Accounting Estimates and Judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

a) Share-Based Payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates. The expected volatility assumptions for the Company's option and warrant grants are based on comparable public companies.

4. Accounting Standards Issued but Not Yet Applied

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2022. Many are not applicable or do not have a significant impact to the Company and have been excluded.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

(Expressed in Canadian dollars)

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets ("IAS 37") was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022. The adoption of these amendments will not have an impact on the Company's financial statements.

IAS 16 – Property, Plant and Equipment ("IAS 16") was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022. The adoption of these amendments will not have an impact on the Company's financial statements.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITES

	December 31, 2021
Accounts payable	$ 109,505
Accrued liabilities	40,000
TOTAL	**$ 149,505**

6. FLOW-THROUGH SHARE PREMIUM LIABILITY

Flow-through share premium liabilities include 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 APRIL 6, 2021	$ –
Liability incurred on flow-through shares issued during the year	794,750
Settlement of flow-through share liability on incurred expenditures	(68,543)
BALANCE AT DECEMBER 31, 2021	**$ 726,207**

On October 28, 2021, the Company issued 6,358,000 flow-through shares at a price of $0.25 per share for gross proceeds of 1,589,500. A flow-through premium liability of $0.125 per share was recorded for the flow-through shares.

During the year ended December 31, 2021, the Company incurred $137,087 of eligible flow-through expenditures, representing 8.6% of the spending commitment for the flow-through shares issued in October 2021. A total flow-through share premium liability of $68,543 was amortized to flow-through premium recovery on the statement of loss and comprehensive loss.

7. SHARE CAPITAL

a) Share capital

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

Issued: 51,758,000 common shares.

The Company issued 5,050,000 shares to founders of the Company on April 6, 2021 for total proceeds of $5,050. An additional 4,950,000 shares were issued on April 20, 2021 to subscribers for proceeds of $4,950.

On May 10, 2021, the Company closed a non-brokered private placement of 33,400,000 common shares at a subscription price of $0.05 per common share, for total proceeds of $1,670,000.

On July 23, 2021, the Company issued 1,000,000 shares as consideration for each of the Pipy and Wine properties (2,000,000 shares combined) with a total value of $100,000 (Note 10).

On October 28, 2021, the Company closed a non-brokered private placement of 6,358,000 flow-through shares at a subscription price of $0.25 per flow-through share, for total proceeds of $1,589,500. The Company paid finders fees of $36,735 and issued 331,200 agents' warrants with a fair value of $5,452. Each agents' warrant entitles the holder to acquire one common share of the Company for $0.25 per share on or before October 28, 2022.

b) Stock Options

The Company has a stock option plan (the "Plan") that authorizes the Board of Directors to grant options to directors, officers, consultants and key employees. The maximum number common shares issuable pursuant to the exercise of the options granted under the plan is 10% of the total issued and outstanding common shares of the Company at time of grant. The maximum number of stock options granted to any one individual in a 12-month period may not exceed 5% of the outstanding common shares of the Company. The maximum number of stock options granted to any one consultant or an individual providing investor relations services in a 12-month period may not exceed 2% of the outstanding common shares of the Company. Options granted to consultants or individuals providing investor relations services will vest over at least 12 months with no more than one-quarter of the options vesting in any three-month period. The exercise price of the options is fixed by the Board of Directors of the Company at the time of the grant at the market price of the common shares. These options are non-transferrable and are valid for a maximum of 10 years from the date of issue, and except for where previously noted, are subject to vesting provisions as determined by the Board of Directors.

On December 13, 2021, the Company granted 2,500,000 incentive stock options to directors, management and consultants of the Company, exercisable at $0.25 per share for a period of 5 years, vesting immediately. The total share-based compensation expense recorded during the period ended December 31, 2021 was $194,312. Directors and officers of the Company received 1,950,000 of the granted options for a grant date fair value of $151,563.

(Expressed in Canadian dollars)

The following table summarizes information about the share options as at December 31, 2021:

Grant Date	Number of options outstanding	Exercise price per share of options outstanding	Weighted average remaining life	Grant date fair value	Number of options exercisable	Expiry date
December 13, 2021	2,500,000	$0.25	4.95	$0.08	2,500,000	December 13, 2026

Stock option transactions are summarized as follows:

	Number	Weighted Average Exercise Price
BALANCE, APRIL 6, 2021	**–**	**$ –**
Granted	2,500,000	0.25
BALANCE, DECEMBER 31, 2021	**2,500,000**	**$ 0.25**

The fair value of the stock options issued were 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
December 31, 2021	5.00	1.26%	nil	96%	$0.08

(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, APRIL 6, 2021	**–**	**$ –**
Issued	331,200	0.25
BALANCE, DECEMBER 31, 2021	**331,200**	**$ 0.25**

The fair value of the agents warrants issued were 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	Weighted average fair value
October 28, 2021	1.00	1.07%	nil	84%	$0.02

(Expressed in Canadian dollars)

8. INCOME TAXES

A reconciliation of the Company's effective tax rate with the statutory tax rate for the period from April 6, 2021 to December 31, 2021 is as follows:

	December 31, 2021
LOSS BEFORE TAX	**(1,275,202)**
Statutory tax rate	27%
Income tax (benefit) at statutory rate	(344,000)
RECONCILING ITEMS:	
Change in statutory, foreign tax, foreign exchange rates and other	1,000
Permanent differences	52,000
Impact of flow through share	37,000
Share issue cost	(10,000)
Change in unrecognized deductible temporary differences	264,000
DEFERRED INCOME TAX PROVISION	**–**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

	December 31, 2021	December 31, 2021
TEMPORARY DIFFERENCES		
Exploration and evaluation costs	$ 694,000	No expiry date
Share issuance costs	29,000	2042 to 2045
Non-capital losses carried forward	257,000	2041

Tax attributes are subject to review, and potential adjustment, by tax authorities.

9. 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 consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

(Expressed in Canadian dollars)

Their remuneration includes the following:

	December 31, 2021
Management fees	$ 111,950
Director fees	35,250
Share-based compensation	151,563
TOTAL	**$ 298,763**

As at December 31, 2021, accounts payable and accrued liabilities include $12,061 payable to directors and officers of the Company.

10. EXPLORATION PROPERTIES

	Wine	Pipy	Total
December 31, 2021			
Acquisitions	$ 100,000	$ 100,000	$ 200,000
Airborne Geophysics	216,429	75,791	292,220
Assays	1,630	–	1,630
Camp supplies and field expenses	11,443	–	11,443
Claim staking and maintenance	33,231	8,250	41,481
Consulting	55,394	60,876	116,270
Field transportation	121,940	10,800	132,740
General and administrative	2,713	2,625	5,338
Government grants	(50,000)	–	(50,000)
Ground Geophysics	33,154	–	33,154
Line cutting	47,550	–	47,550
TOTAL	**$ 573,484**	**$ 258,342**	**$ 831,826**

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 other 2 from W.S. Ferreira Limited through a Mineral Property Acquisition Agreement for the following consideration:

- Initial cash payment of $50,000 (paid) and the issuance of 1,000,000 shares at a value of $0.05 per share (issued)
- Second cash payment of $100,000 due the earlier of a) May 7, 2022, or b) three days following the closing of an equity financing of no less than $2,000,000
- 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.

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).

On November 30, 2021, the Company received a $50,000 grant from the Manitoba Mineral Development Fund ("MMDF") pursuant to a Grant Agreement signed on November 8, 2021 in support of current exploration at the Wine property. Another $50,000 will be provided by the MMDF upon completion of the winter exploration program.

b) Pipy Property

The Pipy property, comprised of 8 mineral claims, is located in northeastern Manitoba. The Company staked 5 of these claims in 2021 and acquired the other 3 from W.S. Ferreira Limited through a Mineral Property Acquisition Agreement for the following consideration:

- Initial cash payment of $50,000 (paid) and the issuance of 1,000,000 shares at a value of $0.05 per share
- (issued)
- Second cash payment of $100,000 due the earlier of a) May 7, 2022, or b) three days following the closing of an equity financing of no less than $2,000,000
- 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.

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).

11. 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 period ended December 31, 2021.

12. 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 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 December 31, 2021, the Company had working capital of $1,457,125. The Company is exposed to liquidity risk.

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 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 is measured at fair value using Level 1 inputs.

13. SUBSEQUENT EVENT

Amalgamation Agreement

On March 1, 2022, the Company entered into an amalgamation agreement with 1287390 B.C. Ltd. ("390"), pursuant to which the Company will amalgamate with 390 and continue as one company ("Amalco") (the "Transaction"). Each common share of the Company and 390 will be exchanged for one common share of Amalco. Upon completion of the Transaction, shareholders of the Company and 390 will become shareholders of Amalco, to continue under the name NiCAN Limited.

The Transaction is subject to the approval of the TSX Venture Exchange ("TSX-V") and is intended to constitute a reverse takeover of 390 by the Company as defined in TSX-V Policy 5.2 – Change of Business and Reverse Takeovers. Completion of the Transaction is subject to certain other conditions including:

(i) Obtaining approval from shareholders of 390 and the Company;
(ii) Completion of a concurrent private placement for a minimum of 13,000,000 common shares for minimum proceeds of $5,200,000 by the Company; and
(iii) Completion of a share consolidation by 390 on a basis of ratio to be determined prior to the closing of the Transaction.