



CaNickel Mining Limited

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS
of financial condition and results of operations
for the year ended December 31, 2022

The Management's Discussion and Analysis ("MD&A") focuses on significant factors that affected the performance of CaNickel Mining Limited ("we", "our", "us", "CaNickel", or the "Company") and such factors may also affect future performance. The MD&A for the year ended December 31, 2022 should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2022 and the related notes contained therein, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and available on SEDAR at www.sedar.com.

This MD&A is prepared as at April 27, 2023 and all figures are in Canadian dollars unless otherwise indicated. Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained therein.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Except for statements of historical fact relating to CaNickel, certain information contained herein constitutes forward-looking information. Any statements or information that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategies", "targets", "goals", "forecasts", "objectives", "budgets", "schedules", "potential" or variations thereof or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements or information. Forward-looking statements or information are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those reflected in the forward-looking statements or information, including, without limitation, risks relating to COVID-19, fluctuating commodity prices, fluctuating currency exchange rates, permits and licenses, operations conditions, environmental risks, cyber security, and general economic conditions.

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements or information. Forward-looking statements or information are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those expressed or implied in the forward-looking statements or information. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated, described or intended. Accordingly, readers should not place undue reliance on forward-looking statements or information.

The Company's forward-looking statements and information are necessarily based on a number of estimates, assumptions, beliefs, expectations and opinions of management as of the date of this MD&A that, while considered reasonable by management of the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. These estimates, assumptions, beliefs, expectations and options include, but are not limited to, those related to the Company's ability to carry on current and future operations, including: the duration and effects of COVID-19 on our operations and workforce; development and exploration activities; the timing, extent, duration and economic viability of such operations; the accuracy and reliability of estimates, projections, forecasts, studies and assessments; the Company's ability to meet or achieve estimates, projections and forecasts; the availability and cost of inputs; the price and market for outputs; foreign exchange rates; taxation levels; the timely receipt of necessary approvals or permits; the ability to meet current and future obligations; the ability to obtain timely financing on reasonable terms when required; the current and future social, economic and political conditions; and other assumptions and factors generally associated with the mining industry.

Other than as required by applicable securities laws, the Company does not assume any obligation to update forward-looking statements and information if circumstances or management's assumptions, beliefs, expectations or opinions should change, or changes in any other events affecting such statements or information. For the reasons set forth above, investors should not place undue reliance on forward-looking statements and information.

DESCRIPTION OF BUSINESS

CaNickel Mining Limited ("CaNickel" or "the Company") is a Canadian resource company focused on the development of its 100% owned Bucko Lake nickel sulfide project located near Wabowden, Manitoba. The current registered office and corporate head office of the Company is located at Suite 1655, 999 West Hastings Street, Vancouver, British Columbia, Canada.

The Bucko Lake Property consists of four mineral leases, three surface leases and seven mining claims totalling 3,004 ha in area containing the formerly producing Bucko Lake Mine and several known historical satellite deposits, including the Bowden Lake, M11A and Apex deposits. The Company also holds the Halfway Lake property located 20 km away from the Bucko Lake Property. Together, the Bucko Lake and Halfway Lake properties make up the Thompson Nickel Belt properties ("TNB").

The Bucko Lake mining lease is subject to a 2.5% net smelter return ("NSR") held by Glencore Canada Corporation

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("Glencore"), formerly Xstrata Nickel Inc. The Company also has an off-take agreement with Glencore over the mine life of the Company's Bucko Lake Mine to sell all concentrates produced from Bucko Lake Mine to Glencore, who currently is the sole customer of the Company.

The Bucko Lake Mine achieved commercial production in June 2009 and was in operation periodically in 2010 and 2011 before being placed into care and maintenance in 2012 due to low nickel prices. Since then, the Company's main objective has been focused on carrying out minimal exploration work and running the care and maintenance program at the Bucko Lake Mine to safeguard assets. Whether and when the Company will resume the mining operation and attain profitability and positive cash flow is uncertain and depends on numerous factors including, but not limited to: production level, production cost, ore grade, metallurgy and nickel price.

In 2017, the Company made an investment in Welichem Research General Partnership (the "Welichem Partnership"), which operates the business of Welichem Biotech Inc. (the "Welichem"), a research business located in Burnaby, British Columbia.

To address its financing requirements, the Company entered into a Mineral Processing Facilities Lease Agreement ("Lease Agreement") in February 2018 with a third party (the "Lessee"), which granted a right to the Lessee to use the milling facility of Bucko Lake Mine to process up to 2.1 million tonnes of ore within seven years from the commencement date of the lease. The commencement of the lease was subject to the waiver of feasibility/financing conditions by the Lessee and to maintain its right, the Lessee was required to make certain option payments to the Company. The Lease Agreement was terminated by the Lessee in July 2021.

The Company is currently relying on the support and fundings from the Company's largest beneficiary shareholder and creditor, Hebei Wenfeng Industrial Company Limited ("Hebei Wenfeng"). As at December 31, 2022, the Company had \$55,361 cash on hand, which is not sufficient to fund the Company's operational needs for the next 12 months. As a result, the Company needs continued support from Hebei Wenfeng. During the year ended December 31, 2022, the Company received a total of \$1.14 million from Hebei Wenfeng. However, there is no assurance that Hebei Wenfeng will continue to support the Company without any limit. In the event that the Company is not able to secure additional financing and continue as a going concern, material adjustments could be required to the carrying value of assets and liabilities and the statements of financial position classification used.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current operations, including exploration programs, will result in profitable mining operations. The recoverability of the carrying value of exploration and development properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties; the discovery of economically recoverable reserves; the achievement of profitable operations; the ability of the Company to raise additional financing, if necessary; or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

OPERATION REVIEW

Since the Bucko Lake Mine was placed into care and maintenance in 2012, the Company has been looking at alternatives to minimize cost to run the care and maintenance program to safeguards assets and ensure compliance.

Excluding the non-cash costs, the costs to run the care and maintenance program were \$709,638 and \$380,584 in 2022 and 2021, respectively. The increase is mainly due to consulting fees incurred to reassess mineral resources as well as reclamation liabilities associated with the Bucko Lake Mine.

In light of the recent increase in nickel prices, the Company has been evaluating options to bring the Bucko Lake Mine back into operation. Whether the Company has the ability to resume mining operations, and timing of resumption of operations, is uncertain.

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The Company's interest in the Bucko Lake mining lease is subject to a back-in right held by Glencore Canada Corporation ("Glencore"), formerly Xstrata Nickel Inc. In the event that the Company identifies a new deposit (in addition to the Bucko Lake Mine) with estimated Measured and Indicated resources in excess of 200 million pounds of nickel, Glencore has the right to purchase a 50% interest in the property and to become the operator of the new deposit in consideration for a payment to the Company of an amount equal to the aggregate of all direct expenditures that were incurred by the Company in carrying out mining operations on the Bucko Lake mining lease outside of the Bucko resource block prior to the date of exercise of the back-in right. Accordingly, the potential benefit to the Company of any discovery of a significantly increased deposit will be limited to a 50% interest in the project.

EXPLORATION

Management determined that the carrying value of TNB properties exceeded its recoverable value and its carrying value was impaired to be \$nil based on an estimate of fair value less costs of disposal ("FVLVD") as the Company has no plan to carry further exploration program at the TNB properties. Expenditures paid to maintain certain claims in good standing were recorded as exploration and evaluation expenses on the statements of income (loss) and comprehensive income (loss).

In 2022, the Company incurred expenditures of \$28,794 at TNB properties (2021 - \$51,095) at TNB.

The Company's 100% interest in the TNB properties is subject to a back-in right whereby should the Company outline a threshold deposit or deposits, each of which exceed 500,000,000 pounds of nickel in measured and indicated resources, Glencore Canada Corporation ("Glencore") has the right to back-in for a 50% interest and become the operator of the threshold deposit or deposits by incurring expenditures on the property in an amount equal to two times the aggregate of all expenditures which were incurred by the Company in carrying out mining operations on the property prior to the back-in, provided that if Glencore exercises more than one back-in right, then in calculating the required back-in expenditures for each subsequent back-in right, expenditures relating to any previously exercised back-in right are excluded from such expenditure calculation.

The properties are also subject to underlying agreements, specifically i) a 2% net smelter return ("NSR"); and ii) a 10% net proceeds of production royalty payable to Glencore.

INVESTMENT IN ASSOCIATE

The Company owns 10 million Class A Preferred Units and 50% General Units of Welichem Research General Partnership, a technology partnership (the "Welichem Partnership"), which operates the business of Welichem Biotech Inc. ("Welichem"), a Burnaby, British Columbia research business. Welichem owns 10 million Class B Preferred Units and 50% General Units of the Welichem Partnership and is the Managing Partner of the Welichem Partnership. Welichem was amalgamated into its parent company, LJ Resources Co., Ltd. in 2019. The Company uses the equity method to account for its investment in the Welichem Partnership.

In 2022, the Company recorded income of \$11,729,545 (2021 – income of \$23,280,822) arising from the equity pickup in the Welichem Partnership. A Summary of the investment account is as follows:

As at	December 31, 2022	December 31, 2021
Investment amount	\$ 10,000,000	\$ 10,000,000
Accumulated share of income	45,071,168	33,341,623
Distribution received	(54,721,962)	(45,000,000)
Reclassification of over distribution to accounts payable	-	1,658,377
Total	\$ 349,206	\$ -

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Summarized financial information of the Welichem Partnership is as follows:

As at or for the year ended	December 31, 2022	December 31, 2021
Current assets	\$ 63,995	\$ 419,644
Non current assets	64,934,417	65,946,417
Current liabilities	-	(5,382,716)
Net income	23,459,090	46,561,644
Equity pick up by Canickel 50%	11,729,545	23,280,822

RESULTS OF OPERATIONS

Year ended December 31, 2022 ("2022") vs. Year ended December 31, 2021 ("2021")

Net loss in 2022 was \$9,369,084 compared to income of \$12,520,481 in 2021. The Company's financial results in 2022 was mainly impacted by i) the decrease in the income of an associate; ii) no lease revenue following the termination of the Lease Agreement in 2021, and iii) higher finance costs.

Revenue in 2022 was \$nil, down \$560,000 compared to \$560,000 in 2021 as the Company had no revenue sources after the Lease Agreement was terminated in July 2021.

Care and maintenance costs in 2022 were \$709,638, up \$381,320 compared to \$380,584 in 2021. The increase in costs was due to the Company carrying out an environmental study as required by the provincial government and engaging an external consultant to prepare an updated mineral resource estimate and Preliminary Economic Assessment on the Bucko Lake Property due to increasing nickel prices.

Amortization and depreciation expenses in 2022 were \$961,415, up \$381,320 compared to \$580,095 in 2021. The Company did not acquire any property, plant and equipment in 2022, and the increase was mainly due to a shorter amortization period for certain assets.

Loss from mine operations in 2022 was \$1,671,053, up \$1,270,374 compared to \$400,679 in 2021. The increase was mainly due to the increase in care and maintenance costs as discussed above and the increase in amortization and depreciation expenses.

Finance costs in 2022 were \$16,564,632, up \$6,746,992 compared to \$9,817,640 in 2021. Finance costs primarily included interest expenses of \$10,597,993 (2021 - \$10,218,473), foreign exchange loss of \$5,903,589 (2021 – gain \$455,532), and accretion of site closure and reclamation provisions of \$63,050 (2021 - \$54,699). The increase in finance costs was mainly due to the increase in interest expenses and the increase in foreign exchange loss recorded in 2022. Foreign exchange gain or loss was mainly due to the revaluation of US dollars against Canadian dollars as significant portions of the outstanding balance of loans and advances from shareholder are denominated in US dollars. The interest was mainly associated with the outstanding loans and advances from Hebei Wenfeng.

General and administrative expenses in 2022 was \$17,475, up \$8,273 compared to \$9,202 in 2021.

Exploration and evaluation expense in 2022 was \$28,794, compared to a recovery of \$51,095 in 2021. The Company determined that the carrying value of the TNB properties was impaired to \$nil. The difference between the expenditures incurred and the government assistance received on the qualified expenditures incurred on the TNB properties was recorded as exploration and evaluation expense or recovery.

Impairment charges in 2022 were \$2,401,924 compared to \$1,140,758 in 2021. The Company engaged an independent firm to reassess the sellable value of the plant, building and equipment used at the Bucko Lake Mine in 2021. There has been no

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material change since 2021 in regard to these assets. An impairment charge of \$2,401,924 against the Bucko Lake Mine was recorded in 2022. The recoverable value assessment is considered a level 3 fair value assessment.

Legal and professional fees in 2022 was \$104,684, up \$29,121 compared to \$75,563 in 2021. Legal and professional fee included legal fee of \$70,342 (2021 - \$35,209) and accounting fee of \$34,342 (2021 - \$40,354).

Other income in 2022 was \$Nil, compared to \$991,941 in 2021.

Salaries, consulting and management fees in 2022 was \$269,081, up \$45,306 compared to \$223,775 in 2021. The increase was mainly due to higher director fees paid in 2022 and consulting fees paid to the Company's new Vice President, Corporate Development, who joined the Company in November 2022.

Shareholder communications and investor relations in 2022 were \$40,999, up \$7,429 compared to \$33,570 in 2021. Shareholder communications and investor relations include expenses related to regulatory filings, stock exchange listing, annual shareholder meeting, newswire services and investor conferences.

Share of income in associate in 2022 was \$11,729,545, compared to \$23,280,822 in 2021, representing the equity pickup of the income recorded in the Welichem Partnership. In 2022, Welichem Partnership received an option income and payment of \$25 million.

Fourth Quarter ended December 31, 2022 ("Q4 2022") vs. Fourth Quarter ended December 31, 2021 ("Q4 2021")

Net loss in Q4 2022 was \$4,749,934, compared to a gain of \$20,933,860 in Q4 2021. The decrease was mainly due to the decrease in share of income in an associate recorded in Q4 2022.

Care and maintenance costs in Q4 2022 were \$232,682, compared to \$131,717 in Q4 2021. The fluctuation in care and maintenance costs is mainly due to the work involved in ensuring health, safety and environmental compliance at Bucko Lake mine.

Amortization and depreciation expenses in Q4 2022 were \$240,349, compared to \$112,479 in Q4 2021. The Company did not acquire any property, plant and equipment in 2022, and the increase was mainly due to a shorter amortization period for certain assets.

Loss from mine operations in Q4 2022 was \$473,031, up \$228,835, compared to \$244,196 in Q4 2021. The increase was mainly due to a lack of revenue, higher care and maintenances costs, and higher amortization and depreciation expenses in Q4 2022 as discussed above.

Finance items in Q4 2022 were a loss of \$1,566,850 compared to a loss of \$1,934,285 in Q4 2021. Finance items primarily included foreign exchange gain of \$1,076,400 (Q4 2021 – \$655,116), interest expenses of \$2,659,783 (Q4 2021 - \$2,575,614), and accretion of site closure and reclamation provisions of \$15,890 (Q4 2021 - \$13,787). The foreign exchange gain was mainly due to the revaluation of US dollars against Canadian dollars as significant portions of the outstanding balance of loans and advances from Hebei Wenfeng are denominated in US dollars. The interest was mainly associated to the outstanding loans and advances from Hebei Wenfeng.

General and administrative expenses in Q4 2022 were \$4,031, compared to a recovery of \$329 in Q4 2021.

Impairment charges in Q4 2022 were \$2,401,924, compared to \$1,140,758 in Q4 2021. The Company engaged an independent firm to reassess the sellable value of the plant, building and equipment used at Bucko Lake Mine in 2021. There has been no material change since 2021 in regard to these assets. An impairment charge of \$2,401,924 against the Bucko Lake Mine was recorded in 2022. The recoverable value assessment is considered a level 3 fair value assessment.

Legal and professional fees in Q4 2022 was \$49,110 (Q4 2021 - \$7,071), which mainly included legal and audit fee accruals.

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Salaries, consulting and management fees during Q4 2022 was \$99,000, up \$26,500 compared to \$72,500 in Q4 2021. The increase was mainly due to consulting fees paid to the Company's new Vice President, Corporate Development, who joined the Company in November 2022.

Shareholder communications and investor relations during Q4 2022 were \$7,437, compared to \$1,223 in Q4 2021. Shareholder communications and investor relations include expenses related to regulatory filings, stock exchange listing, annual shareholder meeting, newswire services and investor conferences.

Share of income(loss) in associate in Q4 2022 was a loss of \$134,780 (Q4 2021 -income \$23,341,623), representing the equity pickup of the income recorded in the Welichem Partnership.

QUARTERLY FINANCIAL RESULTS

	Quarters ended			
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Income (loss) from mine operations	\$ (473,031)	\$ (402,822)	\$ (481,082)	\$ (314,118)
Other items	(4,300,626)	3,847,884	(5,816,926)	(1,428,363)
Net income (loss)	\$ (4,773,657)	\$ 3,445,062	\$ (6,298,008)	\$ (1,742,481)
Income (loss) per share - basis and diluted	\$ (0.13)	\$ 0.09	\$ (0.17)	\$ (0.05)

	Quarters ended			
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Loss from mine operations	\$ (244,196)	\$ (213,052)	\$ 23,462	\$ 33,107
Other items	21,178,056	(5,461,744)	(1,197,549)	(1,597,603)
Net income (loss)	\$ 20,933,860	\$ (5,674,796)	\$ (1,174,087)	\$ (1,564,496)
Income (loss) per share - basis and diluted	\$ 0.56	\$ (0.15)	\$ (0.03)	\$ (0.04)

The fluctuation of US dollars against Canadian dollars has a significant impact on foreign exchange gain or loss, which is included in "other items" as outlined above. The fluctuation of other items is mainly due to the fluctuation of foreign exchange unless otherwise specifically stated.

ANNUAL INFORMATION

	Years ended December 31		
	2022	2021	2020
Total assets	\$ 8,159,532	\$ 7,726,222	\$ 7,130,557
Total liabilities	106,346,622	96,544,228	108,469,044
Shareholders' equity	(98,187,090)	(88,818,006)	(101,338,487)
Dividend declared		-	-
Loss from mine operations	(1,671,053)	(400,679)	(723,769)
Other items	(7,698,031)	12,921,160	(9,787,059)
Net income (loss)	(9,369,084)	12,520,481	(10,510,828)
Loss per share - basis & diluted	\$ (0.25)	\$ 0.33	\$ (0.28)

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LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2022, the Company had cash of \$55,361, down \$87,764 compared to \$143,125 as at December 31, 2021.

Cash used in operating activities in 2022 was \$1,198,970, up \$973,023 compared to \$225,947 cash generated from operating activities in 2021. Before net change in non-cash working capital, cash used in operations was \$1,141,432, up \$978,799 compared to \$162,646 in 2021. The increase of cash used in operating activities was mainly due to the lack of lease revenue as the Lease Agreement was terminated in July 2021.

Cash used in operating activities in Q4 2022 was \$326,381, up \$92,145, compared to \$234,236 cash generated from operating activities in Q4 2021. Before net change in non-cash working capital, cash used in operations was \$392,342, compared to \$212,151 in Q4 2021.

Cash used in financing activities in 2022 was \$8,581,961, compared to \$23,000,000 in 2021. In 2022, the Company advanced \$1,140,000 from Hebei Wenfeng and borrowed \$2,778,039 from LJ Resources, then repaid \$12,500,000 to Hebei Wenfeng.

Cash from financing activities in Q4 2022 was \$180,000, compared to \$25,000,000 used in Q4 2021. In Q4 2022, the Company advanced \$180,000 from Hebei Wenfeng.

Cash from investing activities in 2022 was \$9,693,168 compared to \$22,948,905 in investing activities in 2021. In 2022, the Company received \$9,721,962 distribution from Welichem Partnership (2021 - \$25,000,000), spent \$28,794 at TNB properties to maintain certain mineral claims in good standing (2021 - \$51,095), and paid \$nil reclamation deposit to the Government of Manitoba (2021 - \$2,000,000).

Cash used in investing activities in Q4 2022 was \$5,071 compared to \$25,000,000 received in Q4 2021. In Q4 2022, the Company received \$nil distribution from Welichem Partnership (Q4 2021 - \$25,000,000).

Working capital as at December 31, 2022, was a deficit of \$97,437,375 compared to a deficit of \$91,145,474 as at December 31, 2021. Excluding the loans and advances from Hebei Wenfeng, the working capital as at December 31, 2022, was a deficit of \$274,692 (December 31, 2021 - \$1,902,844).

Shareholder's equity as at December 31, 2022 was a deficit of \$98,187,090 (December 31, 2021 – deficit of \$88,818,006). The increase in equity deficit was mainly due to additional loss recorded. The Company did not carry out any equity financing in 2022 and 2021.

The estimated cash outflow based on the Company's contractual obligations and assuming Hebei Wenfeng and LJ Resources calls upon its debt as at December 31, 2022 was \$97,162,683 and was due within one year. Accordingly, additional financing is required for the Company to continue as a going concern.

The Company is currently relying on the support and fundings from the Company's largest beneficiary shareholder and creditor, Hebei Wenfeng.

In the event that Hebei Wenfeng discontinues its support or demands repayments, the Company might not be able to raise enough funds to continue as a going concern, and material adjustments would be required to the carrying value of assets and liabilities and the classification presented on the statement of financial position.

The Company's current objective when managing its capital is to safeguard its assets and carry out the care and maintenance program at its Bucko Lake Mine. The Company is also looking at options to bring the Bucko Lake Mine back to production.

FAIR VALUE MEASUREMENTS

Fair value estimates are made at a specific point in time, based on relevant market information and information about the

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financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect estimates. Management has assessed that the fair value of cash and accounts payables approximates their carrying amounts largely due to the short-term maturities of these instruments.

The following table provides the quantitative disclosures of the fair value measurement hierarchy of the Company's financial assets and liabilities measured on a recurring basis.

	December 31, 2022			December 31, 2021		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets and liabilities measured at fair value						
Cash	\$ 55,361	\$ -	\$ -	\$ 143,125	\$ -	\$ -

There was no transfer between fair value levels during the reporting period.

RISK AND UNCERTAINTIES

The Company manages its exposure to key financial risk in accordance with the Company's financial risk management framework. The objective of the framework is to protect the Company's future financial security. The main risks that could adversely affect the Company's financial assets, liabilities or future cash flows are: liquidity risk; credit risk; and market risk, comprising of foreign exchange rate risk, interest rate risk and metal price risk. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis. Currently, the Company does not apply any form of hedge accounting.

Management constantly monitors and assesses the fluctuation of the nickel price and US dollars. The Company does not have any off-balance sheet arrangements or commitments that are expected to have a current or future effect on its financial condition or results of operations, other than those disclosed in this MD&A and the audited financial statements for the year ended December 31, 2022 and the related notes.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk primarily associated to cash. The carrying value of financial assets represents the maximum credit exposure.

The Company undertakes credit evaluations on counterparties as necessary and has monitoring processes intended to mitigate credit risks.

b) 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 manages liquidity risk through regular forecasting and the management of its capital structure. As at December 31, 2022, the Company has limited funds to meet its short-term financial liabilities, and the working capital, net of \$97,162,683 loans and advances from a shareholder, was in a deficit position of \$274,693. Accordingly, additional financing is required for the Company to continue as a going concern.

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Based on the contractual obligations of the Company as at December 31, 2022, cash outflow of those obligations based on contractual undiscounted payments, are estimated and summarized as follows:

Contractual Obligations	Payment Due by Period			
	Less than 1 year	1 - 3 years	After 3 years	Total
Accounts payable and accrued liabilities	\$ 358,375	\$ -	\$ -	\$ 358,375
Loans from a related party	2,810,462	-	-	2,810,462
Loans and advances from a shareholder	94,352,221	-	-	94,352,221
Total Contractual Obligations	\$ 97,521,058	\$ -	\$ -	\$ 97,521,058

c) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and commodity price risk. Financial instruments affected by market risk include cash, receivables, accounts payable and accrued liabilities, and loans and advances from a shareholder.

i) Interest rate risk

The Company has cash subject to fluctuations in interest rates. The Company's current policy is to invest excess cash in short-term deposits issued by financial institutions. As at December 31, 2022, the Company had \$91.2 million in loans payable bearing a fixed coupon rate of 12% per annum. Due to the financial condition of the Company and the nature of the loans, which are owed to the largest shareholder of the Company, its fair value may not be reasonably estimated, and therefore the impact on the fair value of loans arising from the change of interest rate may not be reasonably estimated. Currently, the Company does not hedge against interest rate risk.

ii) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company is exposed to foreign exchange risk as a result of some financing activities being denominated in US dollars. As at December 31, 2022, the following financial assets and liabilities are denominated in US Dollars.

Expressed in Canadian dollar equivalents	December 31, 2022		December 31, 2021	
Financial assets denominated in US Dollars				
Cash	\$	6,735	\$	6,395
		6,735		6,395
Financial liabilities denominated in US Dollars				
Loans and advances from a shareholder		91,212,221		87,242,630
	\$	91,212,221	\$	87,242,630
Net Liabilities	\$	91,205,486	\$	87,236,235

Based on the financial assets and liabilities denominated in US dollars as at December 31, 2022, every 5% strengthening in US dollars would increase net loss by \$4,560,274 (December 31, 2021 - \$4,361,812). The Company currently has not entered into any agreement to hedge the foreign exchange risk.

iii) Commodity price risk

The Company is exposed to price risk with respect to commodity prices, mainly nickel prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken. The Company's future mining operations will be significantly affected by changes in market prices for nickel. Prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for nickel, the level of interest rates, the rate of inflation, investment decisions by large holders of nickel and stability of exchange rates can all cause significant fluctuations in nickel prices. Such external economic factors are in turn influenced by changes in international investment

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patterns, monetary systems and political developments.

In July 2012, the Company suspended its mining operation due to unfavourable nickel prices. The timing to resume mining operations would mainly depend on nickel prices. As at December 31, 2022, the Company has no nickel sales receivable, forward sales contracts or call options outstanding. Changing commodity prices would not have any significant impact on the financial position of the Company. However, changes in the nickel price would have a significant impact on the estimation of the fair value of the Company's mineral properties.

d) Environmental risk

The Company's activities are subject to extensive laws and regulations governing environmental protection and employee health and safety in Canada. These laws address emissions into the air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species, and reclamation of lands disturbed by mining operations.

The Company's Bucko Lake Mine has been placed on care and maintenance since 2012. During the care and maintenance period, the Company is required to maintain active environmental monitoring at the Bucko Lake Mine to comply with all requirements of federal and provincial rules related to mining operations. If the Company fails to comply with those requirements, the Company could be subject to significant fines and penalties, and the Bucko Lake Mine could be required to be reclaimed immediately. In 2021, the Company was charged \$200,000 in fines for offences under the Fisheries Act (Canada) for an alleged "deposit of deleterious substances and an alleged failure to collect acute lethality samples" at the Bucko Lake Mine in 2017. The fine is being paid over four instalment payments of \$50,000 every six months beginning on March 14, 2022. In 2022, the Company also reassessed the closure and reclamation obligation related to the Bucko Lake Mine, and the undiscounted obligation increased to \$14,632,558 from \$6,548,404 as at December 31, 2021.

Environmental legislation is evolving, and the trend has been toward stricter standards and enforcement; increased fines and penalties for non-compliance; more stringent environmental assessments of proposed projects; and increasing responsibility for companies and their officers, directors and employees. Compliance with environmental laws and regulations may require significant capital outlays on behalf of the Company and may cause material changes or delays in the Company's intended activities. There can be no assurance that the Company has been, or will be at all times, in complete compliance with current and future environmental, health and safety laws and permits will not materially adversely affect the Company's business, results of operations or financial condition. It is possible that future changes in these laws or regulations could have a significant adverse impact on some portion of the Company's business, causing the Company to re-evaluate those activities at that time. The Company's compliance with environmental laws and regulations entails uncertain cost.

e) COVID-19

The Company's business, operations and financial condition could be materially and adversely affected by the outbreak of pandemics or other health crises, such as the outbreak of COVID-19 that was designated as a pandemic by the World Health Organization on March 11, 2021. The international response to the spread of COVID-19 has led to significant restrictions on travel, temporary business closures, quarantines, global stock market volatility and a general reduction in consumer activity. Such public health crises can result in operating, supply chain and project development delays and disruptions, global stock market and financial market volatility, declining trade and market sentiment, reduced movement of people and labour shortages, and travel and shipping disruption and shutdowns as a result of government regulation and prevention measures, or a fear of any of the foregoing, all of which could affect commodity prices, interest rates, credit risk and inflation. In addition, the current COVID-19 pandemic, and any future emergence and spread of similar pathogens could have an adverse impact on global economic conditions which may adversely impact the Company's operations, and the operations of suppliers, contractors and service providers.

The Company may experience business interruptions, including suspended (whether government mandated or otherwise) or reduced operations relating to COVID-19 and other such events outside of the Company's control, which could have a material adverse impact on its business, operations and operating results, financial condition and liquidity.

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As at the date of this MD&A, the duration of the business disruptions internationally and related financial impact of COVID-19 cannot be reasonably estimated. It is unknown whether and how the Company may be affected if the pandemic persists for an extended period of time.

The Company's exposure to such public health crises also includes risks to employee health and safety. Should an employee, contractor, community member or visitor become infected with a serious illness that has the potential to spread rapidly, this could place the Company's workforce at risk.

f) Cybersecurity Risks

The Company is subject to cybersecurity risks including, without limitation: unauthorized access to privileged information and risks related to the destruction of data or the disabling, degrading or sabotaging of the Company's systems, including through the introduction of computer viruses. Although the Company takes steps to secure configurations and manage information systems, including, without limitation, computer systems, internet sites, emails and other telecommunications, and financial/geological data, there can be no assurance that measures the Company takes to ensure the integrity of its systems will provide protection, especially because cyberattack techniques used change frequently or are often not recognized until successful. The Company has not experienced any material cybersecurity incidents in the past, but there can be no assurance that the Company would not experience the same in the future. If the Company's systems are compromised, do not operate properly or are disabled, the Company could, among other things, suffer financial loss, disruption of business, loss of geological data which could affect its ability to conduct effective mine planning and accurate mineral resource estimates. Loss of financial data could also affect the Company's ability to provide accurate and timely financial reporting.

g) General Economic Conditions

General economic conditions may adversely affect the Company's operations and ability to obtain financing. Events in global financial markets over the past several years have had a profound impact on the global economy. Many industries, including the nickel mining industry have been, and continue to be, impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations, high volatility in global equity, commodity, foreign exchange and precious metal markets and a lack of market confidence and liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates and tax rates, may adversely affect the Company's operation and ability to obtain financing.

RELATED PARTY TRANSACTIONS

Related party transactions were measured at fair value. Related party transactions not disclosed elsewhere include the following:

Transactions with key management

The Company has identified its directors and certain senior officers as its key management personnel. The compensation cost for key management personnel, including fees paid or payable to companies controlled by key management personnel, is as follows:

	Year ended December 31,	
	2022	2021
Salaries and fees	\$ 263,000	\$ 216,500
	\$ 263,000	\$ 216,500

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Transactions with Hebei Wenfeng

	Interest bearing loans	Non interest bearing advances	Total
As at December 31, 2020	\$ 85,362,386	\$ 17,117,255	\$ 102,479,641
Interest accrued	10,218,473	-	10,218,473
Additions	-	17,090,000	17,090,000
Repayments	(7,882,745)	(32,207,255)	(40,090,000)
Foreign exchange	(455,484)	-	(455,484)
As at December 31, 2021	87,242,630	2,000,000	89,242,630
Interest accrued	10,565,570	-	10,565,570
Additions	-	1,140,000	1,140,000
Repayments	(12,500,000)	-	(12,500,000)
Foreign exchange	5,904,021	-	5,904,021
As at December 31, 2022	\$ 91,212,221	\$ 3,140,000	\$ 94,352,221

All loans and advances are unsecured, due on demand and payable to Hebei Wenfeng.

i) Interest-bearing loans

In May 2011, the Company arranged a one-year term unsecured debt facility of up to US\$5 million (the “Loan”) with Hebei Wenfeng. The Loan was drawn down at the option of the Company and bears interest at 10% per annum. The Company was also required to pay 2% of any funds drawn down under the Loan as a structuring fee to Hebei Wenfeng. Principal, interest and structure fees are payable upon maturity. The Loan was subsequently extended to a three-year term but expired on May 28, 2014 and became payable on demand.

In July 2011, the Company entered into an unsecured debt facility of up to US\$15 million with Luckyup, an arm's-length party based in Hong Kong. In December 2011, this debt facility was increased to US\$25 million. This debt facility was drawn down at the option of the Company and bears interest of 12% per annum. Principal and interest are payable upon maturity. In March 2012, this debt facility was extended from a one-year term to a three-year term but expired on July 22, 2014. In October 2014, Hebei Wenfeng and Luckyup entered into an Assignment Agreement that Luckyup assigned and transferred its right and interest in this debt facility to Hebei Wenfeng. Immediately after this Assignment Agreement, Hebei Wenfeng waived a total interest of US\$3.5 million accrued on the above interest-bearing loans and became the only interest-bearing loan creditor.

The Company repaid \$7,882,745 to Hebei Weifeng in 2021, and \$12.5 million in August 2022.

As at December 31, 2022, the total outstanding balance, including interest accretion, of the interest-bearing loans was \$91,212,221 (US\$67,345,113) (2021 - \$87,242,630 (US\$68,814,190)).

In 2022, a total of \$10,565,570 interest expense (2021 - \$10,218,473) and \$5,904,021 foreign exchange loss (2021 – gain of \$455,484), respectively, were recorded arising from the US dollar denominated interest-bearing loans.

ii) Non-interest-bearing advances

Due to the financial condition of the Company, Hebei Wenfeng has advanced funds from time to time to the Company to support the Company's operation. In 2022, Hebei Wenfeng advanced a total of \$1.14 million to the Company. As at December 31, 2022, the outstanding balance of the advances from Hebei Wenfeng was \$3.14 million (2021 - \$2 million).

The advances bear no interest.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the financial statements in conformity with IFRS requires management to make adjustments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the financial statements. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events, which are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In particular, the Company has identified the following areas where significant judgment, estimates and assumptions are required. Changes in these assumptions may materially affect the financial position or financial results reported in future periods. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements.

Going concern

Management has determined that the Company will be able to continue as a going concern for the foreseeable future and realize its assets and discharge its liabilities and commitments in the normal course of business, and therefore, these financial statements have been prepared on a going concern basis and do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

The business of exploring and mining for minerals involves a high degree of risk and there can be no assurance that current operations, including exploration programs, will result in profitable mining operations. The recoverability of the carrying value of mineral properties, plant and equipment and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Due to unfavorable nickel prices, the Company's Bucko Lake Mine was placed on care and maintenance in July 2012. Since then, the Company's main objective has been focused on carrying out minimum exploration work and running the care and maintenance program at the Bucko Lake Mine to safeguard assets.

To address its financing requirements, the Company entered into a Mineral Processing Facilities Lease Agreement ("Lease Agreement") with a third party (the "Lessee") in February 2018 which grants a right to the Lessee to use the milling facility of Bucko Lake Mine to process up to 2.1 million tonnes of ore within seven years from the commencement date of the lease. The commencement of the lease was subject to the waiver of feasibility/financing conditions by the Lessee and to maintain its right, the Lessee was required to make certain option payments to the Company. During the nine months ended September 30, 2021, the Company received option payments of \$560,000 from the Lessee. However, the Lease Agreement was terminated by the Lessee in July 2021.

As a result of recent increases in the nickel price, the Company has been evaluating options to bring the Bucko Lake Mine back into operation. However, whether the Company has the ability to resume mining operations is uncertain.

As at December 31, 2022, the outstanding balance of loans owed to Hebei Wenfeng was \$94,352,221, but the Company only has \$55,361 cash on hand, which is not sufficient to fund the Company's operational needs for the next 12 months. As a result, the Company continues to rely on the support and fundings from Hebei Wenfeng. The Company also has a cumulative deficit of \$318,013,089 and a working capital deficiency of \$97,437,375 as at December 31, 2022. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. In the event that Hebei Wenfeng discontinues its support and calls its demand loans and advances, the Company would not be able to continue as a going concern and material adjustments could be required to the carrying value of assets and liabilities

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and the statements of financial position classification used.

Control and significant influence

The Company consolidates all entities which have been determined as being controlled by the Company. Control is evaluated on the ability of the Company to direct the activities of an entity to derive variable returns and management uses judgment in determining whether control exists. Judgment is exercised in the evaluation of the variable returns and in determining the extent to which the Company has the ability to exercise its power to generate variable returns.

The Company applies the equity method to account for its investments when the Company determines that it has significant influence in the investees. Significant influence is the power to participate in the financial and operating policy decision of the investee but not control of those policies. Management uses judgment in determining whether significant influence exists. Judgment is exercised in the evaluation of its voting power and potential voting rights by examining all facts and circumstance in determining its powers to participate in the financial and operating policy decisions of an investee.

Site closure and reclamation provision

The Company assesses its site closure and reclamation provisions at each reporting date. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate amount payable. These factors include estimates of the extent, cost and timing of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the changes of inflation rate and discount rates. These uncertainties may result in future expenditure differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future reclamation costs required.

Impairment of assets

The Company assesses each asset or cash generating unit ("CGU") at each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirement, closure and rehabilitation costs, exploration potential, and reserves. Therefore, there is the possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account.

Cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money, and the risks specific to the asset or CGU. When a discounted cash flow technique is not practical, estimated net sellable value of each piece of property, plant and equipment is used for the recoverable estimate. Management has assessed its CGUs as being an individual mine site, which is the lowest level for which cash inflows are largely independent of those of other assets or CGUs. Given there are no plans to resume the mining operations, the recoverable amount of plant and equipment at Bucko Lake has been determined based on the value that could be recovered through an orderly sales process. As for the TNB properties, management deemed it prudent to write off its carrying value by reference to current nickel prices, previous operating costs, known mineral resources, and the likelihood of finding a buyer or partner to advance the project.

Recoverability of deferred tax assets:

In assessing the probability of realizing income tax assets to be recognized, the Company makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing

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temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, the Company gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Recoverability of investment in associate

The determination of when an investment is impaired requires significant judgement. In making this judgment, the Company evaluates, amongst other things, the duration and extent to which the fair value of the investment is less than its carrying value at each reporting date.

Coronavirus disease ("COVID-19") pandemic impact

In March 2021, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus ("COVID-19"). The outbreak and subsequent measures intended to limit the pandemic contributed to significant volatility in financial markets. The pandemic adversely impacted global commercial activity. The full extent of the impact of COVID-19 on operations and future financial performance is currently unknown. It will depend on future developments that are uncertain and unpredictable, including the duration and spread of COVID-19, its continued impact on capital and financial markets on a macro-scale and any new information that may emerge concerning the severity of the virus. These uncertainties may persist beyond when it is determined how to contain the virus or treat its impact.

IFRS requires management to make estimates and assumptions that affect reported amounts and disclosures. These estimates and assumptions take into account historical and forward-looking factors that the Company believes are reasonable including, but not limited to, the potential impacts arising from COVID-19, public and private sector policies, and initiatives aimed at reducing its transmission. As the extent and duration of the impacts from COVID-19 remain unclear, the Company's estimates and assumptions may evolve as conditions change. Actual results could differ significantly from those estimates.

As of December 31, 2022, based on management analysis, the Company has concluded that amendment to the lease agreement do not represent indicators of impairment, or require impairment reversal, for any of the Company's assets.

Contingencies

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

CHANGE IN ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS

A summary of significant accounting policies are disclosed on note 2 to the audited financial statements for the year ended December 31, 2022.

The accounting standards and interpretations have been published that are not mandatory for the current period and have been early adopted. These standards are not expected to have a material impact on the Company.

CONTINGENCIES AND LEGAL MATTERS

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The Company was charged with offences under the Fisheries Act (Canada) for certain alleged infractions at the Bucko Lake Mine in 2017. In 2022, the Company pleaded guilty and accepted a total fine of \$200,000, which will be paid by four payments of \$50,000 every six months. The first payment of \$50,000 was paid in March 2022, and the second payment of \$50,000 was paid in October 2022. The outstanding balance is included in the accounts payable and accrued liabilities of the statements of financial position.

Since the mining operation was suspended in July 2012, the Company has been encountering difficulties in retiring some outstanding accounts payables in accordance with terms provided by vendors, and therefore expects that some liens will be placed, and legal actions will be initiated. As at December 31, 2022, there was one lien placed against Bucko Lake Mine for \$377,086.

In January 2014, the Company received a statement of claim for \$377,086 from the same contractor who placed the lien against Bucko Lake Mine. The Company believed that it has fulfilled its contracted obligations to make payment to the contractor and the claim has no basis; accordingly, the Company retained legal counsel to file a statement of defense and also made a counter claim for a refund of overpayment for services not delivered and damages to be determined by the court. The claim was dismissed by the court on February 2, 2022, and the dismissal also includes discharge of the Pending Litigation Order. Once the Pending Litigation Order is discharged, the lien can then be discharged. No provision has been provided for this claim.

OUTSTANDING SHARE DATA

As at the date of this report, a total of 37,520,369 common shares of the Company were issued and outstanding. No common shares are reserved, and no Class A and Class B preferred shares are issued and outstanding.

OFF BALANCE SHEET ITEMS

There are no off-balance sheet items.

PROPOSED TRANSACTIONS

There are no proposed assets or business acquisition or disposition.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

(a) capitalized or expensed exploration and development costs;

The required disclosure is presented on note 7 to the audited financial statements for the year ended December 31, 2022.

(b) expense research and development costs;

Not applicable.

(c) deferred development costs;

Not applicable.

(d) general and administrative expenses;

This required disclosure is presented on audited financial statements of loss and comprehensive loss for the year ended December 31, 2022.

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(e) any material costs, whether capitalized, deferred or expensed, not referred to in (a) through (d);

None

END OF THIS REPORT
