

THE CARVE-OUT OF THE MINAGO NICKEL PROJECT FROM SILVER ELEPHANT MINING CORP.

**Carve-out Condensed Interim Financial Statements
As at and for the Period from Acquisition on February 10,
2021 to September 30, 2021**

(Expressed in Canadian Dollars)

Unaudited

RESPONSIBILITY FOR CARVE-OUT CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying carve-out condensed interim financial statements of the Minago Nickel Project and all information in this financial report are the responsibility of the Board of Directors and Management. The carve-out condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), including International Accounting Standard (“IAS”) 34 – Interim Financial Reporting and, where appropriate, include management’s best estimates and judgments. Management maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and that financial information is timely and reliable. However, any system of internal control over financial reporting, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all misstatements. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the condensed interim financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee. The Board of Directors appoints the Audit Committee, and all of its members are independent directors. The Audit Committee meets periodically with Management and the auditors to review internal controls, audit results, accounting principles and related matters. The Board of Directors approves the condensed interim financial statements on recommendation from the Audit Committee.

“John Lee”

John Lee, Chief Executive Officer

“Irina Plavutska”

Irina Plavutska, Chief Financial Officer

February 25, 2022

THE CARVE-OUT OF THE MINAGO NICKEL PROJECT FROM SILVER ELEPHANT MINING CORP.
Carve-out Condensed Statement of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	Notes	As At September 30, 2021
Assets		
Non-current assets		
Mineral properties	5	\$ 16,059,659
Total assets		\$ 16,059,659
Liabilities and Equity		
Non-current liabilities		
Accounts Payable	10	\$ 226,366
Total liabilities		226,366
Equity		
Shares issuable	5	1,514,603
Owner's net investment	6	14,318,690
Total equity		15,833,293
Total liabilities and equity		\$ 16,059,659

Approved on behalf of the Board:

"John Lee"

John Lee, Director

Vancouver, British Columbia

"Greg Hall"

Greg hall, Director

February 25, 2022

Subsequent Events (Note 12)

The accompanying notes form an integral part of these carve-out condensed interim financial statements.

THE CARVE-OUT OF THE MINAGO NICKEL PROJECT FROM SILVER ELEPHANT MINING CORP.
Carve-out Condensed Interim Statement of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended	For the Period from Acquisition
	September 30, 2021	on February 10, 2021
		to September 30, 2021
General and Administrative Expenses		
Advertising and promotion	\$ 89,323	\$ 342,347
Consulting and management fees	60,444	434,464
Depreciation	2,715	16,221
Director fees	21,123	75,617
Insurance	16,107	50,711
Office and administration	33,712	77,717
Professional fees	63,147	202,633
Salaries and benefits	73,924	310,581
Share based compensation	73,574	260,578
Stock exchange and shareholder services	24,687	93,546
Travel and accommodation	699	5,140
	(459,455)	(1,869,555)
Loss and Comprehensive Loss for Period	\$ (459,455)	\$ (1,869,555)

The accompanying notes form an integral part of these carve-out condensed interim financial statements.

THE CARVE-OUT OF THE MINAGO NICKEL PROJECT FROM SILVER ELEPHANT MINING CORP.
Carve-out Condensed Interim Statement of Equity
(Expressed in Canadian Dollars)
(Unaudited)

	As at September 30,
	2021
Total equity, beginning of period	
Owner's net investment, beginning of period	\$ -
Comprehensive loss for the period	(1,869,555)
Owner's contribution for the period	16,188,245
Owner's net investment, for the period	\$ 14,318,690
Shares payable	1,514,603
Total equity, end of period	15,833,293

The accompanying notes form an integral part of these carve-out condensed interim financial statements.

THE CARVE-OUT OF THE MINAGO NICKEL PROJECT FROM SILVER ELEPHANT MINING CORP.
Carve-out Condensed Interim Statement of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Notes	For the Period from Acquisition on February 10, 2021 to June 30, 2021
Operating Activities		
Net loss for period		\$ (1,869,555)
Adjustments to reconcile net loss to net cash flows:		
Depreciation		16,221
Share based payments		260,578
		(1,592,756)
Changes to working capital items		
Accounts payable		213,909
Cash Used in Operating Activities		(1,378,847)
Investing Activities		
Mineral property expenditures	5	(8,898,539)
Cash Used in Investing Activities		(8,898,539)
Financing Activities		
Investment from owner		10,277,386
Cash Provided by Financing Activities		10,277,386
Net change in cash		-
Cash - beginning of period		-
Cash - end of period		\$ -

	For the Period from Acquisition on February 10, 2021 to September 30, 2021
Supplementary information	
Non-Cash Financing and Investing Activities	
ELEF shares issued on acquisition of mineral property	\$ 4,910,215
ELEF warrants issued for mineral property	\$ 723,845
Mineral property expenditures included in accounts payable	\$ 12,457
ELEF shares issuable for acquisition of mineral property	\$ 1,514,603

The accompanying notes form an integral part of these carve-out condensed interim financial statements.

THE CARVE-OUT OF THE MINAGO NICKEL PROJECT FROM SILVER ELEPHANT MINING CORP.

Notes to the Carve-out Condensed Interim Financial Statements

As at and for the Period from Acquisition on February 10, 2021 to September 30, 2021

(Expressed in Canadian Dollars)

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

The Minago Nickel Project (the “**Project**” or “**Minago**”) is a mineral exploration and evaluation project 100% owned by Silver Elephant Mining Corp. (“**ELEF**”). The common shares of ELEF are listed for trading on the Toronto Stock Exchange (the “**TSX**”) under the symbol “ELEF” and on the Frankfurt Stock Exchange under the symbol “1P2N” and are quoted on the OTCQX® Best Market under the symbol “SILEF”.

ELEF holds a 100% interest in the Minago nickel project, which is comprised of the Minago nickel deposits and associated claims located in the Thompson Nickel Belt in Manitoba, Canada. ELEF maintains its registered and records office at Suite 1610 – 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2.

Following the completion of the proposed transaction described in Note 3, ELEF intends to reorganize its assets and operations into four separate companies: ELEF, 1324825 B.C. Ltd. (“**VanadiumCo**”), Flying Nickel Mining Corp. (“**NickelCo**”) and Battery Metals Royalties Corp. (“**RoyaltyCo**”). The Company intends to complete a share capital reorganization by way of statutory plan of arrangement (the “**Arrangement**”).

These carve-out condensed interim financial statements (“**Carve-out Interim Financial Statements**”) reflect the financial position, results of operations, and cash flows for the Minago and have been compiled for purposes of inclusion in an Information Circular for ELEF in connection with the Arrangement described in Note 3.

These Carve-out Interim Financial Statements have been prepared on a going concern basis, which assumes that Minago will continue in operation for the foreseeable future and will be able to realize its assets and settle its liabilities in the normal course of business. At September 30, 2021, Minago had \$nil cash on hand, is not generating any revenues and has incurred losses since inception. Whether and when Minago can obtain profitability and positive cash flows from operations is uncertain. These material uncertainties may cast significant doubt on the ability of Minago to continue as a going concern. The Company’s ability to continue its operations is dependent on its ability to obtain necessary financings. These Carve-out Interim Financial Statements do not give effect to the required adjustments to the carrying amounts and classification of assets and liabilities should Minago be unable to continue as a going concern. Such adjustments could be material.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.

2. BASIS OF PRESENTATION

These Carve-out Interim Financial Statements have been prepared on a carve-out basis from the books and records of ELEF and 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**”).

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires the Company’s management to exercise judgment in applying Minago’s accounting policies. The areas where significant judgments and estimates have been made in preparing these Carve-out Financial Statements and their effect are disclosed in Note 4.

These Carve-out Interim Financial Statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss (“**FVTPL**”), which are stated at their fair values.

These Carve-out Interim Financial Statements have been prepared using the accrual basis of accounting except for cash flow information. These Carve-out Financial Statements are presented in Canadian Dollars, except where otherwise noted.

THE CARVE-OUT OF THE MINAGO NICKEL PROJECT FROM SILVER ELEPHANT MINING CORP.

Notes to the Carve-out Condensed Interim Financial Statements

As at and for the Period from Acquisition on February 10, 2021 to September 30, 2021

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (cont'd...)

These Carve-out Interim Financial Statements have been extracted from the historical accounting records of ELEF with estimates used, when necessary, for certain allocations.

- The carve-out statement of financial position for the current period reflects the assets and liabilities recorded by ELEF which have been assigned to Minago on the basis that they are specifically identifiable and attributable to Minago.
- The carve-out statements of loss and comprehensive loss for the current period include a pro-rata allocation of ELEF's expenses incurred presented based on the percentage of exploration and evaluation activities on the carve-out exploration and evaluation assets, compared to the expenditures incurred on all of ELEF's exploration and evaluation assets, and based on specifically identifiable activities attributable to Minago.

Management cautions readers of these Carve-Out Interim Financial Statements that the Minago results do not necessarily reflect what the results of operations, financial positions, or cash flows would have been had Minago been a separate entity. Further, the allocation of expenses in these carve-out statements of loss and comprehensive loss do not necessarily reflect the nature and level of Minago's future operating expenses. ELEF's investment in Minago, presented as equity in these carve-out financial statements, includes the accumulated total comprehensive loss of Minago.

The Carve-out Interim Financial Statements follow the same accounting policies and methods of application as the annual financial statements of ELEF except as noted above.

3. ARRANGEMENT AND TRANSFER OF ASSETS

On August 26, 2021, ELEF announced that it has executed a plan of arrangement (completed subsequent to period end – Note 12), as amended November 8, 2021 (the "**Arrangement**") under the Business Corporations Act (British Columbia) pursuant to which it shall:

- complete a consolidation of the outstanding share capital of ELEF whereby each 10 pre-consolidation ELEF share shall be exchanged for one post-consolidation ELEF share;
- transfer certain royalties presently held by ELEF in certain projects into its own entity, SpinCo 3 ("RoyaltyCo"), a wholly owned subsidiary of ELEF;
- spin-out its Manitoba based Minago Nickel project mineral property assets ("Minago") into its own entity, SpinCo 1 ("NickelCo"), a wholly owned subsidiary of ELEF;
- and spin-out its Nevada based Gibellini Vanadium project mineral property assets ("Gibellini") into its own entity, SpinCo 2 ("VanadiumCo"), a wholly owned subsidiary of ELEF.

ELEF will transfer assets, as described above, to each SpinCo in consideration for the following:

- NickelCo will purchase the Minago assets from ELEF in exchange for the issuance of NickelCo shares and the assumption of certain liabilities related to the underlying assets;
- RoyaltyCo will purchase the royalties from ELEF in exchange for the issuance of RoyaltyCo shares;
- Nevada Vanadium Mining Corp. ("NVMC") will purchase the Gibellini assets from ELEF in exchange for the issuance of NVMC shares and the assumption of certain liabilities related to the underlying assets;
- VanadiumCo will purchase the NVMC shares from ELEF in exchange for the issuance of VanadiumCo shares;
- and RoyaltyCo will purchase certain of the outstanding shares of both VanadiumCo and NickelCo in exchange for the issuance of RoyaltyCo shares.

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(Expressed in Canadian Dollars)

3. ARRANGEMENT AND TRANSFER OF ASSETS (continued)

Upon completion of the Arrangement, it is currently expected that ELEF and each SpinCo will focus on its corresponding core business with:

- ELEF holding a 100% interest in its Pulacayo silver and El Triunfo gold-silver projects in Bolivia, and approximately 33% of the Royalties SpinCo shares as a long-term investment;
- VanadiumCo holding a 100% interest in the Gibellini Vanadium project in Nevada;
- NickelCo holding a 100% interest in the Minago nickel project in the Thompson nickel belt in Manitoba;
- and RoyaltyCo holding certain royalties related to each of the transferred assets referenced above and approximately 54% of the NickelCo shares and approximately 54% of the VanadiumCo shares as a long-term investment.

Subject to applicable laws, the policies of and approval by the Toronto Stock Exchange (the "TSX"), the receipt of ELEF's shareholder approval and court approval, and satisfaction of other closing conditions, it is presently expected that, pursuant to the Arrangement:

- i. the authorized share capital of ELEF shall be reorganized and its articles amended by the creation of an unlimited number of Class A Shares;
- ii. and each ELEF shareholder ("Shareholder") will exchange each post-Consolidation ELEF share to receive: one share of each of NickelCo and VanadiumCo; two shares of RoyaltyCo; and one Class A share of ELEF

Holders of outstanding ELEF warrants (the "Warrants") after the Record Date will be entitled to receive, upon exercise of each such Warrant at the same original exercise price and in accordance with the terms of such Warrant, one share of each of NickelCo and VanadiumCo.; two shares of the RoyaltyCo; and one Class A share of ELEF.

Holders of outstanding ELEF options (the "Options") after the Record Date will be entitled to receive, upon exercise of each such Option at the same original exercise price and in accordance with the terms of such Option, one share of each of NickelCo and VanadiumCo.; two shares of the RoyaltyCo; and one Class A share of ELEF.

While the foregoing has been prepared on the basis that no additional securities of each SpinCo will be issued, it is presently expected that each SpinCo will complete a financing in connection with the Arrangement to provide for working capital and other corporate purposes (see Note 12).

There can be no assurance that the proposed public listings of the SpinCos will be completed.

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Notes to the Carve-out Condensed Interim Financial Statements

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(Expressed in Canadian Dollars)

4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the carve-out interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

4.1 Significant Judgments

The significant judgments that management has made in the process of preparing the carve-out financial statements, apart from those involving estimation uncertainties (Note 4.2), include, but are not limited to:

(a) Functional currency determination

The functional currency for Minago is the currency of the primary economic environment and Minago reconsiders its functional currency if there is a change in events and conditions which determined the primary economic environment. Management has determined the functional currency of Minago to be the Canadian dollar.

(b) Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs

Management has determined that exploratory drilling, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping, prefeasibility and feasibility studies, assessable facilities, existing permits and life of mine plans.

Management has determined that during the period ended September 30, 2021, the Minago nickel project has not reached technical feasibility and commercial viability and therefore remains within Mineral Properties on the Statement of Financial Position.

(c) Impairment (recovery) assessment of deferred exploration interests

Minago considers both external and internal sources of information in assessing whether there are any indications that mineral property interests are impaired. External sources of information that Minago considers include changes in the market, economic and legal environment in which Minago operates that are not within its control and affect the recoverable amount of mineral property interest. Internal sources of information that Minago considers include the manner in which mineral properties and plant and equipment are being used or are expected to be used and indications of economic performance of the assets.

(d) Deferred Tax Assets and Liabilities

The measurement of the deferred tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of deferred taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. For deferred tax calculation purposes, Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of Minago's ability to utilize future tax deductions changes, Minago would be required to recognize more or fewer deferred tax assets, and future tax provisions or recoveries could be affected.

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Notes to the Carve-out Condensed Interim Financial Statements

As at and for the Period from Acquisition on February 10, 2021 to September 30, 2021

(Expressed in Canadian Dollars)

4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.2 Estimates and Assumptions

Minago bases its estimates and assumptions on current and various other factors that it believes to be reasonable under the circumstances. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows. The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

(a) Mineral reserves

The recoverability of the carrying value of the mineral properties is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(b) Impairment

The carrying value of long-lived assets are reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired, and an impairment loss is recognized in the consolidated statement of operations. The assessment of fair values, including those of the cash generating units (the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflow from other assets or groups of assets) ("CGUs") for purposes of testing impairment, require the use of estimates and assumptions for recoverable production, long-term commodity prices, discount rates, foreign exchange rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of long-lived assets could impact the impairment analysis.

(c) Contingencies

The assessment of contingencies involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against Minago, and that may result in regulatory or government actions that may negatively impact Minago's business or operations, Minago and its legal counsel evaluate the perceived merits of the legal proceeding or unasserted claim or action as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to recognize as a contingent liability or when assessing the impact on the carrying value of the Minago's assets. Contingent assets are not recognized in the Carve-out Financial Statements.

As at September 30, 2021, Minago does not have any contingent liabilities.

(d) Fair value measurement

Minago measures financial instruments at fair value at each reporting date. The fair values of financial instruments measured at amortized cost are disclosed in Note 9. Also, from time to time, the fair values of non-financial assets and liabilities are required to be determined, e.g., when the entity acquires a business, completes an asset acquisition or where an entity measures the recoverable amount of an asset or cash-generating unit at fair value less costs of disposal. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Minago uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Changes in estimates and assumptions about these inputs could affect the reported fair value.

THE CARVE-OUT OF THE MINAGO NICKEL PROJECT FROM SILVER ELEPHANT MINING CORP.

Notes to the Carve-out Condensed Interim Financial Statements

As at and for the Period from Acquisition on February 10, 2021 to September 30, 2021

(Expressed in Canadian Dollars)

4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.2 Estimates and Assumptions (continued)

COVID-19

An emerging risk is a risk not well understood at the current time and for which the impacts on strategy and financial results are difficult to assess or are in the process of being assessed. Since December 31, 2019, the outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally, resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

COVID-19 may impact Company operations, and consequently, the nature and amounts and disclosures in the financial statements. Some of the specific areas impacted by COVID-19 include, but are not limited to:

- Going concern assessments;
- Evaluation of subsequent events;
- Impairment and recovery of mineral properties;
- Fair value measurements;

As at September 30, 2021, the COVID-19 pandemic has not affected Minago's critical accounting policies.

5. MINERAL PROPERTIES

Opening Balance	\$	-
<i>Additions:</i>		
Acquisition cost	\$	15,821,632
Deferred exploration costs:		
Licenses, tax, and permits		7,654
Geological and consulting		217,792
Personnel, camp and general		12,581
		238,028
Balance, September 30, 2021	\$	16,059,659

On February 10, 2021, Silver Elephant Mining Corp. acquired the Minago Nickel Project located in Manitoba, Canada (the "Minago Project") (the "Minago Acquisition") by way of an Asset Purchase Agreement (the "APA") with Victory Nickel Inc. ("Victory Nickel"). Under the terms of the APA, Silver Elephant acquired the Minago Project for aggregate consideration of US\$11,675,000, which consisted of a US\$6,675,000 ("Property Payment") credit against certain secured debt owed by Victory Nickel to Silver Elephant at closing and US\$5,000,000 in Silver Elephant common shares ("Consideration Shares") to be issued over a one-year period.

In satisfaction of the Consideration Shares to be issued, an initial tranche of 5,363,630 Consideration Shares was issued on February 9, 2021. A second tranche of 10,081,502 Consideration Shares was issued on August 31, 2021. A further US\$1,000,000 worth of Consideration Shares will be issued on or before December 31, 2021 (see Note 12). All Consideration Shares are subject to 4-month plus 1-day statutory hold period. The Property Payment was a credit in favour of Victory Nickel against an aggregate of approximately US\$12,056,307 owed by Victory Nickel pursuant a Secured Debt Facility (the "SDF").

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As at and for the Period from Acquisition on February 10, 2021 to September 30, 2021

(Expressed in Canadian Dollars)

5. MINERAL PROPERTIES (Continued)

Immediately prior to acquiring the Minago Project, ELEF acquired the SDF for US\$6,675,000 in cash and 3 million of ELEF's common share purchase warrants (the "Warrants"), each exercisable until February 8, 2023 at an exercise price of \$0.4764 from an arms-length party pursuant to a Debt Purchase and Assignment Agreement (the "DPAA") executed on January 15, 2021. The SDF has been restructured to bear zero percent interest and to expire on February 8, 2026, which will automatically be extended in 5-year increments. ELEF will credit the remaining balance under the SDF to Victory Nickel's benefit, upon completion of an independent economic study proving positive net present value in respect of the Minago Project during the term of the SDF. ELEF agreed to reimburse up to \$200,000 of financial advisory services rendered by Red Cloud Securities Inc.

ELEF subscribed to 40,000,000 common shares of Victory Nickel ("VN share") at a price per VN share of \$0.025 for cash consideration of \$1,000,000, which resulted in ELEF owning approximately 29% of Victory Nickel post-investment on a non-diluted basis. Additionally, ELEF agreed to issue to Victory Nickel \$2,000,000 in Common Shares, upon the price of nickel exceeding US\$10 per pound for 30 consecutive business days, at any time before December 31, 2023. ELEF granted Victory Nickel the right of first refusal exercisable until December 31, 2023, with respect to the exploration of the sandstone (non-nickel bearing sulphides) resources for frac sand extraction at the Minago Project.

6. OWNER'S NET INVESTMENT

ELEF's net investment in Minago is presented as Owner's Net Investment in the carve-out financial statements. Owner's Net Investment represents the accumulated net contributions from the Company net of the accumulated losses of the operations. Net financing transactions with ELEF as presented in the carve-out financial statements of cash flows represent the net contributions related to the funding of operations between Minago and ELEF.

7. CAPITAL RISK MANAGEMENT

Management considers its capital structure to consist of working capital and shareholders' equity. Minago manages its capital structure and makes adjustments to it, based on the funds available to, and required in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative returns on capital criteria for management. In order to facilitate the management of its capital requirement, Minago prepares annual expenditure budgets that are updated as necessary depending on various factors. The annual and updated budgets are approved by the Board of Directors.

The properties, to which Minago currently has an interest in, are in the exploration stage; as such, Minago is dependent on external financing to fund its activities. In order to carry out the planned exploration and development and pay for administrative costs, Minago will raise additional amounts as needed. Minago is subject to externally imposed capital requirements.

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(Expressed in Canadian Dollars)

8. FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS

Fair Value Measurements

Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. The Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means; and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The Company does not have financial assets measured at fair value.

Categories of financial instruments

Minago considers that the carrying amount of all its financial assets and financial liabilities measured at amortized cost approximates their fair value due to their short term nature. Minago does not offset financial assets with financial liabilities. There were no transfers between Level 1, 2 and 3 for the period ended September 30, 2021.

Minago's financial liabilities as at September 30, 2021 are as follows.

	September 30, 2021	
Amortized cost		
Accounts payable	\$	226,366
	\$	226,366

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9. FINANCIAL RISK MANAGEMENT DISCLOSURES

(a) Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its financial obligations as they fall due. Minago manages liquidity risk by preparing cash flow forecasts of upcoming cash requirements. As at September 30, 2021, Minago had a cash balance of \$nil and had accounts payable of \$226,366.

Minago has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of its mineral property interests. Minago coordinates this planning and budgeting process with its financing activities through the capital management process in normal circumstances. As described in Note 2, Minago has no recurring source of revenue or funding and is reliant on contributions from its owner to fund operations.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Minago is not exposed to significant credit risk.

(c) Market risk

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The risk that Minago will realize a loss as a result of a decline in interest rates is low as Minago has no investments or liabilities with variable interest rates.

(ii) Foreign currency risk

Minago has exploration and development projects in Manitoba, Canada and undertakes transactions denominated in Canadian dollars, its functional currency. Minago's exposed to foreign currency risk is thus minimal.

(iii) Commodity and equity price risk

Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond Minago's control. The supply and demand for these commodities, the level of interest rates, the rate of inflation, investment decisions by large holders of commodities including governmental reserves and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. Minago is also exposed to price risk with regards to equity prices.

Equity price risk is defined as the potential adverse impact on the Minago's earnings due to movements in individual equity prices or general movements in the level of the stock market.

Minago closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken. Fluctuations in value may be significant.

THE CARVE-OUT OF THE MINAGO NICKEL PROJECT FROM SILVER ELEPHANT MINING CORP.

Notes to the Carve-out Condensed Interim Financial Statements

As at and for the Period from Acquisition on February 10, 2021 to September 30, 2021

(Expressed in Canadian Dollars)

10. RELATED PARTY DISCLOSURES

During the period from February 10, 2021 to September 30, 2021, Minago had related party transactions with the following companies, related by way of directors and key management personnel:

- Linx Partners Ltd., a private company controlled by John Lee, Director, CEO and Executive Chairman of ELEF, provides management and consulting services to Minago.
- MaKevCo Consulting Inc., a private company 50% owned by Greg Hall, Director of ELEF, provides consulting services to Minago.
- Sophir Asia Ltd., a private company controlled by Masa Igata, Director of ELEF, provides consulting services to Minago.

A summary of the transactions by nature among the related parties is as follows:

Related parties	For the Period from Acquisition on February 10, 2021 to September 30, 2021	
Consulting and management fees	\$	239,361
Directors' fees		75,617
Mineral properties		280,078
Salaries		397,356
	\$	992,412

11. KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors of the Company.

Key Management Personnel	For the Period from Acquisition on February 10, 2021 to September 30, 2021	
Salaries and short term benefits	\$	397,356
Directors' fees		75,617
Share-based payments		165,243
	\$	638,216

12. SUBSEQUENT EVENTS

- On December 30, 2021 ELEF issued 4,607,180 common shares in Consideration Shares to VN in satisfaction of the Company's obligation to issue US\$1,000,000 in Shares to VN issued on or before December 31, 2021.
- On November 29, 2021, NickelCo raised proceeds of \$8,600,000 million through the issuance of:
 - (i) 10,094,033 subscription receipts of NickelCo (each, a "Non-FT Subscription Receipt") at a price of \$0.70 per Non-FT Subscription Receipt for gross proceeds of \$7,065,824 from the sale of Non-FT Subscription Receipts; and
 - (ii) 1,992,437 flow-through eligible subscription receipts of NickelCo (each, a "FT Subscription Receipt", and collectively with the Non-FT Subscription Receipts, the "Offered Securities") at a price of \$0.77 per FT Subscription Receipt for gross proceeds of \$1,534,176;

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(Expressed in Canadian Dollars)

12. SUBSEQUENT EVENTS (continued)

Upon satisfaction of certain escrow release conditions, the subscription receipts will be deemed exercised without payment of additional consideration as follows:

- a. each non-FT subscription receipt shall be automatically converted into one unit of NickelCo (a "Unit"). Each unit will consist of one common share of NickelCo and one half of one common share purchase warrant (a "Warrant"). Each whole Warrant shall entitle the holder to purchase one common share of NickelCo at a price of \$1.00 at any time on or before November 29, 2023.
 - b. Each FT subscription receipt shall be automatically converted into one common share of NickelCo to be issued as a "flow-through share" within the meaning of the Income Tax Act (Canada).
- On December 23, 2021, ELEF announced that it has received near unanimous shareholder approval of the Arrangement as noted in Note 3.
 - On January 4, 2022, ELEF announced that gross proceeds of \$1,534,176 were released from escrow to ELEF upon converting an aggregate of 1,992,437 flow-through subscription receipts of NickelCo into 1,992,437 flow-through common shares of NickelCo at a price of \$0.77 per share (the "Conversion").

In connection with the Conversion, an aggregate of 119,546 broker warrants were issued to the agents for the NickelCo Offering. Each broker warrant entitles the holder to acquire one common share of NickelCo at an exercise price of \$0.70 per common share until November 29, 2023.

- On January 12, 2022, ELEF announced that it received final approval of the British Columbia Supreme Court for its Arrangement. The effective date of the Arrangement is January 14, 2022.
- On January 17, 2022, ELEF announced the completion of the Arrangement. Post- Arrangement, NickelCo, a new Canadian reporting issuer (Flying Nickel Mining Corp. with CUSIP 34408W106), with 1,992,437 flow-through shares and 55,844,033 common shares outstanding, holds a 100% interest in the Minago nickel project in the Thompson nickel belt in Manitoba.

On the same day, NickelCo also announced that gross proceeds of \$4,090,824 were released from escrow to NickelCo upon converting an aggregate of 5,844,033 non-flow-through subscription receipts of the NickelCo into 5,844,033 units of NickelCo (the "Units"), each consisting of one common share and one-half of one common share purchase warrant of NickelCo, at a price of \$0.70 per Unit (the "Second Conversion").

NickelCo further confirms that gross proceeds of \$2,975,000 from the issuance of an additional 4,250,000 non-flow-through subscription receipts of NickelCo remain subject to escrow and will be released to NickelCo upon satisfaction of certain additional escrow release conditions, including receipt of conditional acceptance of the TSX Venture Exchange (the "TSXV") for the listing of the common shares of NickelCo on the TSXV.

In connection with the Second Conversion, an aggregate of 342,069 broker warrants were issued to the agents for NickelCo Offering. Each broker warrant entitles the holder to acquire one common share of NickelCo at an exercise price of \$0.70 per common share until November 29, 2023.