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**CLASS 1 NICKEL AND TECHNOLOGIES LIMITED**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL**  
**STATEMENTS**  
**THREE AND NINE MONTHS ENDED**  
**SEPTEMBER 30, 2021**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**

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**Notice to reader**

The accompanying unaudited condensed interim consolidated financial statements of Class 1 Nickel and Technologies Limited (the "Company") have been prepared by and are the responsibility of the Company's management. The unaudited unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

**Class 1 Nickel and Technologies Limited**  
**Condensed Interim Consolidated Statements of Financial Position**  
**(Expressed in Canadian Dollars)**  
**Unaudited**

|                                 | As at<br>September 30,<br>2021 | As at<br>December 31,<br>2020 |
|---------------------------------|--------------------------------|-------------------------------|
| <b>ASSETS</b>                   |                                |                               |
| <b>Current assets</b>           |                                |                               |
| Cash and cash equivalents       | \$ 2,692,599                   | \$ 3,864,804                  |
| Prepaid expenses                | 14,175                         | 19,286                        |
| Accounts receivable (note 3)    | 246,604                        | 129,886                       |
| Due from related party (note 8) | 7,345                          | 7,345                         |
| <b>Total assets</b>             | <b>\$ 2,960,723</b>            | <b>\$ 4,021,321</b>           |

**EQUITY AND LIABILITIES**

|   |                |                |
|---|----------------|----------------|
| <b>Current liabilities</b>                        |                |                |
| Accounts payable and accrued liabilities (note 8) | \$ 738,910     | \$ 196,836     |
| Deferred flow-through premium (note 9)            | 225,000        | 300,000        |
| Other payable                                     | 22,008         | 22,008         |
| <b>Total liabilities</b>                          | <b>985,918</b> | <b>518,844</b> |

|   |                     |                     |
|---|---------------------|---------------------|
| <b>Shareholder's equity</b>                       |                     |                     |
| Share capital (note 5)                            | 13,754,748          | 5,885,428           |
| Contributed surplus                               | 2,414,538           | -                   |
| Warrant reserve (note 7)                          | 2,159,065           | 917,429             |
| Deficit   | (16,353,546)        | (3,300,380)         |
| <b>Total shareholder's equity</b>                 | <b>1,974,805</b>    | <b>3,502,477</b>    |
| <b>Total shareholder's equity and liabilities</b> | <b>\$ 2,960,723</b> | <b>\$ 4,021,321</b> |

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Nature of operations and going concern (note 1)  
 Commitments (note 9)  
 Subsequent event (note 11)

**Approved by the Board of Directors on November 26, 2021**

"David Fitch" Director

"Matthew Gibertson" Director

**Class 1 Nickel and Technologies Limited**  
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**  
**(Expressed in Canadian Dollars)**  
**Unaudited**

|   | Three Months<br>Ended<br>September 30,<br>2021 | Three Months<br>Ended<br>September 30,<br>2020 | Nine Months<br>Ended<br>September 30,<br>2021 | Nine Months<br>Ended<br>September 30,<br>2020 |
|---|--|--|---|---|
| <b>Operating expenses</b>   |  |  |   |   |
| Exploration and evaluation (note 4)   | \$ 7,642,844                                   | \$ 361,265                                     | \$ 10,017,841                                 | \$ 438,445                                    |
| General and administrative  | 32,703   | 41,881   | 129,931                                       | 79,407  |
| Investor relations  | 3,268  | 19,977   | 30,208  | 59,977  |
| Professional fees (note 8)  | 201,405  | 159,282  | 579,138                                       | 394,538                                       |
| Regulatory  | 4,979  | 21,328   | 52,406  | 33,721  |
| Stock-based compensation (note 6)   | 8,972  | -  | 2,306,659                                     | -   |
| Travel  | 10   | 3,035  | 16,267  | 58,756  |
| Loss before the following items   | 7,894,181                                      | 606,768  | 13,132,450                                    | 1,064,844                                     |
| Equipment rental income   | -  | -  | (3,500)                                       | -   |
| Interest income   | (389)  | -  | (784)   | -   |
| Amortization of flow-through premium (note 9)                                     | (18,000)                                       | -  | (75,000)                                      | -   |
| Royalty payments  | -  | (159)  | -   | (159)   |
| <b>Net loss and comprehensive loss for the period</b>                             | <b>\$ (7,875,792)</b>                          | <b>\$ (606,609)</b>                            | <b>\$ (13,053,166)</b>                        | <b>\$ (1,064,685)</b>                         |
| <b>Net loss and comprehensive loss per share<br/>basic and diluted</b>            | <b>\$ (0.07)</b>                               | <b>\$ (0.01)</b>                               | <b>\$ (0.07)</b>                              | <b>\$ (0.01)</b>                              |
| <b>Weighted average number of common shares<br/>outstanding basic and diluted</b> | <b>115,813,181</b>                             | <b>99,764,144</b>                              | <b>180,790,987</b>                            | <b>95,613,863</b>                             |

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

**Class 1 Nickel and Technologies Limited**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**(Expressed in Canadian Dollars)**  
**Unaudited**

|   | <b>Nine Months<br/>Ended<br/>September 30,<br/>2021</b> | <b>Nine Months<br/>Ended<br/>September 30,<br/>2020</b> |
|---|---|---|
| <b>Operating activities</b>                                   |   |   |
| Net loss for the period                                       | \$ (13,053,166)   | \$ (1,064,685)  |
| Adjustments for:  |   |   |
| Shares issued for exploration expenditure and option payments | 5,643,500   | 160,000   |
| Amortization of flow-through premium                          | (75,000)  | -   |
| Stock-share based compensation                                | 2,306,659   | -   |
| Changes in non-cash working capital items:                    |   |   |
| Accounts receivable   | (116,718)   | (75,923)  |
| Prepaid expenses  | 5,111   | (36,160)  |
| Accounts payable and accrued liabilities                      | 542,074   | 52,387  |
| <b>Net cash used in operating activities</b>                  | <b>(4,747,540)</b>                                      | <b>(964,381)</b>  |
| <b>Financing activities</b>                                   |   |   |
| Due from related party  | -   | (34,666)  |
| Proceeds from issuance of shares, net of issuance cost        | 3,575,335   | 950,000   |
| <b>Net cash provided by financing activities</b>              | <b>3,575,335</b>  | <b>915,334</b>  |
| <b>Net change in cash and cash equivalents</b>                | <b>(1,172,205)</b>                                      | <b>(49,047)</b>   |
| <b>Cash and cash equivalents, beginning of period</b>         | <b>3,864,804</b>  | <b>174,205</b>  |
| <b>Cash and cash equivalents, end of period</b>               | <b>\$ 2,692,599</b>                                     | <b>\$ 125,158</b>                                       |

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**Class 1 Nickel and Technologies Limited**  
**Condensed Interim Consolidated Statements of Changes in Equity**  
**(Expressed in Canadian Dollars)**  
**Unaudited**

|  | Common<br>Shares (#) | Share<br>capital (\$) | Contributed<br>surplus | Warrants            | Deficit                | Total               |
|--|----------------------|-----------------------|------------------------|---------------------|------------------------|---------------------|
| <b>Balance, December 31, 2019</b>                            | <b>90,029,209</b>    | <b>\$ 1,695,586</b>   | <b>\$ -</b>            | <b>\$ -</b>         | <b>\$ (1,566,128)</b>  | <b>\$ 129,458</b>   |
| Shares issued in private placement                           | 9,500,000            | 950,000               | -                      | -                   | -                      | 950,000             |
| Shares issued for exploration expenditure<br>option payments | 234,935              | 160,000               | -                      | -                   | -                      | 160,000             |
| Net loss for the period                                      | -                    | -                     | -                      | -                   | (1,064,685)            | (1,064,685)         |
| <b>Balance, September 30, 2020</b>                           | <b>99,764,144</b>    | <b>\$ 2,805,586</b>   | <b>\$ -</b>            | <b>\$ -</b>         | <b>\$ (2,630,813)</b>  | <b>\$ 174,773</b>   |
| <b>Balance, December 31, 2020</b>                            | <b>105,221,695</b>   | <b>\$ 5,885,428</b>   | <b>\$ -</b>            | <b>\$ 917,429</b>   | <b>\$ (3,300,380)</b>  | <b>\$ 3,502,477</b> |
| Shares issued in private placement                           | 6,433,334            | 2,769,864             | -                      | 1,241,636           | -                      | 4,011,500           |
| Shares issue cost  | -                    | (544,044)             | 107,879                | -                   | -                      | (436,165)           |
| Exploration expenditure option payments                      | 10,050,000           | 5,643,500             | -                      | -                   | -                      | 5,643,500           |
| Stock-based compensation                                     | -                    | -                     | 2,306,659              | -                   | -                      | 2,306,659           |
| Net loss for the period                                      | -                    | -                     | -                      | -                   | (13,053,166)           | (13,053,166)        |
| <b>Balance, September 30, 2021</b>                           | <b>121,705,029</b>   | <b>\$ 13,754,748</b>  | <b>\$ 2,414,538</b>    | <b>\$ 2,159,065</b> | <b>\$ (16,353,546)</b> | <b>\$ 1,974,805</b> |

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

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**Class 1 Nickel and Technologies Limited**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2021**  
**(Expressed in Canadian Dollars)**  
**Unaudited**

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**1. Nature of operations and going concern**

*Nature of business*

Class 1 Nickel and Technologies Limited ("Class 1" or the "Company") was incorporated on December 12, 1989 as "871900 Ontario Limited" under the laws of the Province of Ontario. The principal business of the Company is mining exploration and development of minerals and base metals in Canada. The corporate head office of the Company is located at 82 Richmond Street East, Toronto, Ontario M5C 1P1. On August 20, 2020, the Company commenced trading on the Canadian Securities Exchange under the stock symbol "NICO".

*Going concern uncertainty*

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS"). The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. These financial statements do not include any adjustments to amounts and classifications of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

For the three and nine months ended September 30, 2021, the Company incurred a net loss of \$7,875,792 and \$13,053,166, respectively (three and nine months ended September 30, 2020 - \$606,609 and \$1,064,685, respectively) and had negative operating cash flows of \$4,747,540 (September 30, 2020 - \$964,381). The Company has an accumulated deficit of \$16,353,546 since inception (December 31, 2020 - \$3,300,380) and does not have sufficient cash as at September 30, 2021 to meet its expected ongoing obligations over the next twelve months after deducting the \$7,366,500 committed to be spent on capital exploration expenditures ("CEE") under terms of the flow through financings. As at September 30, 2021, the Company has spent on CEE \$2,918,761 (see note 9). These factors raise significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to generate cash flows from operations and to complete negotiations to obtain and successfully close additional funding from debt financing, equity financings or through other arrangements. These conditions indicate the existence of a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern. These unaudited condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods. The Company is monitoring the business environment as a result to ensure minimal disruption to business operations. The Company continues to be in operations as of the current date.

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**Class 1 Nickel and Technologies Limited**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2021**  
**(Expressed in Canadian Dollars)**  
**Unaudited**

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**2. Significant accounting policies**

*Statement of compliance*

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited condensed interim financial statements are based on IFRS issued and outstanding as of November 26, 2021. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended December 31, 2020. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2021 could result in restatement of these unaudited condensed interim financial statements.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Director of the Company on November 26, 2021.

*Basis of preparation*

These unaudited condensed interim consolidated financial statements has been prepared on the historical cost basis and presented in Canadian dollars.

*Basis of consolidation*

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Legendary Ore Mining Corporation and 2814250 Ontario Inc. All significant inter-company transactions have been eliminated upon consolidation.

*New standards not yet adopted*

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for annual periods beginning on or after January 1, 2021 or later periods:

*Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period"
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishments of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2022. There is currently a proposal in place to extend effective date for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

**Class 1 Nickel and Technologies Limited**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2021**  
**(Expressed in Canadian Dollars)**  
**Unaudited**

**3. Accounts receivable**

|   | <b>As at<br/>September 30,<br/>2021</b> | <b>As at<br/>December 31,<br/>2020</b> |
|---|---|--|
| Harmonized sales tax recoverable - (Canada) | \$ 246,305                              | \$ 129,886                             |
| Amounts receivable                          | 299                                     | -                                      |
| <b>Total</b>                                | <b>\$ 246,604</b>                       | <b>\$ 129,886</b>                      |

**4. Mining interests**

**Alexo-Dundonald Project**

The "Alexo-Dundonald Project" is an exploration stage, past-producing nickel-copper-cobalt sulphide project, located approximately 45 kilometers northeast of the city of Timmins, Ontario, Canada. The Alexo-Dundonald Project combines the Alexo-Kelex and Dundonald properties and consists of 29 patented claims (19 with both mining and surface rights, nine with mining rights only and one with surface rights only), 40 leased claims (31 with both mining and surface rights and nine with mining rights only), 21 single cell mining claims and five boundary cell mining claims. The Company owns all the outstanding equity of Legendary Ore Mining Corporation, which holds a 100% interest in the mining claims, leases and properties comprising the Alexo-Dundonald Project, subject to certain tenure agreements and any rights or claims asserted in connection with historic royalty agreements granted in respect of the Alexo-Kelex and Dundonald properties.

The Alexo deposit was discovered in 1907, and between the years 1913 to 1919, 51,851 tonnes grading 4.5% nickel and 0.7% copper was extracted and sent to Sudbury, Ontario, for processing. Canadian Arrow Mines Ltd shipped 6,000 tonnes grading 2.46% nickel, 0.31% copper, and 0.07% cobalt as part of a 10,000 tonne bulk sample permit held at the time, and started the reclamation of the project as part of a Closure Plan approved in 2004 and amended in 2011.

Under the purchase agreements for the Alexo-Kelex and Dundonald properties, the Company must incur an aggregate of \$1,500,000 on the Alexo-Dundonald Project by November 9, 2021, of which the Company must incur at least \$750,000 on the Alexo-Kelex property by October 18, 2021, otherwise the properties may be re-acquired by the vendors thereof. On July 12, 2021, the Company has completed the requisite minimum exploration expenditures on the Alexo-Dundonald Project, and now holds 10% interest in each properties, subject to a 2% net smelter return royalty on the Alexo Property and 2.5% net smelter return royalty on the Dundonald Property.

On August 10, 2021, the Company issued 50,000 common shares at \$0.87 price per common share for \$43,500 and granted 50,000 stock options (note 6 (ii)) to Matachewan First Nation ("MFN") as part of the exploration program on the Alexo-Dundonald Project.

On August 22, 2021, the Company acquired 100% of Platinum Group Elements limited ("PGEL") strategic project portfolio of adjacent and adjoining's claims to the Company's Alexo-Dundonald project as well as Somanike project, and a complementary primary PGE project in Sudbury, Ontario, for a total consideration of \$550,000 in cash and issuance of 10 million common shares, subject to a 2% net smelter returns royalty on certain claims known as Timmins, River Valley and Metals Creek claims and a 2% gross metal royalty on certain claims known as the "Bilson Cubric claims". The consideration shares are subject to a statutory hold period expiring on December 31, 2021.



**Class 1 Nickel and Technologies Limited**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2021**  
**(Expressed in Canadian Dollars)**  
**Unaudited**

**4. Mining interests (continued)**

Alexo-Kelex Property

The Company has spent the following on the Alexo-Kelex Property:

|                            | Three Months<br>Ended<br>September 30,<br>2021 | Three Months<br>Ended<br>September 30,<br>2020 | Nine Months<br>Ended<br>September 30,<br>2021 | Nine Months<br>Ended<br>September 30,<br>2020 |
|----------------------------|--|--|---|---|
| Administrative costs       | \$ 25,542                                      | \$ 1,743                                       | \$ 55,812                                     | \$ 2,821                                      |
| Acquisition costs          | 3,096,750                                      | -  | 3,096,750                                     | -   |
| Exploration and evaluation | 561,171  | 98,890   | 1,318,220                                     | 136,094                                       |
| Field equipment            | 12,076   | -  | 27,064  | 308   |
|                            | <b>\$ 3,695,539</b>                            | <b>\$ 100,633</b>                              | <b>\$ 4,497,846</b>                           | <b>\$ 139,223</b>                             |

Dundonald Property

The Company has spent the following on the Dundonald Property:

|                            | Three Months<br>Ended<br>September 30,<br>2021 | Three Months<br>Ended<br>September 30,<br>2020 | Nine Months<br>Ended<br>September 30,<br>2021 | Nine Months<br>Ended<br>September 30,<br>2020 |
|----------------------------|--|--|---|---|
| Administrative costs       | \$ 25,542                                      | \$ 1,742                                       | \$ 55,812                                     | \$ 2,820                                      |
| Acquisition costs          | 3,096,750                                      | -  | 3,096,750                                     | -   |
| Exploration and evaluation | 561,171  | 98,890   | 1,318,220                                     | 136,094                                       |
| Field equipment            | 12,076   | -  | 27,064  | 308   |
|                            | <b>\$ 3,695,539</b>                            | <b>\$ 100,632</b>                              | <b>\$ 4,497,846</b>                           | <b>\$ 139,222</b>                             |

Somanike Project

The Company has an option (the "Somanike Option") to acquire a 100% interest in the rights held by Vanicom Resources Limited, in an option to acquire the Somanike property, an exploration stage nickel-copper mine project, including the past-producing Marbridge Nickel Sulphide Mine located near Val d'Or, Quebec. The Company is concentrated on advancing the Alexo-Dundonald Project for the current time being and will continue to evaluate this option on an on-going basis. Prior to exercising the Somanike Option, the Company must complete 750m of drilling on certain mining claims held by Globex Mining Enterprises Inc. which comprise a portion of the Somanike property.

In August 2020, the Company issued an aggregate of 234,935 common shares (valued at \$160,000) to satisfy all outstanding share issuances required by the Company. In order to earn its 100% undivided interest in the Somanike Property the Company must make cash payments of \$25,000 due on or before June 15, 2022 and \$50,000 in cash due on or before June 15, 2023. In February 2021, the Company paid \$75,000 and \$327,800 to earn 100% of interest and for reimbursement expenditures made on Somanike Property as part of the acquisition cost.

**Class 1 Nickel and Technologies Limited**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2021**  
**(Expressed in Canadian Dollars)**  
**Unaudited**

**4. Mining interests (continued)**

**Somanike Project (continued)**

The Company has spent the following on the Somanike Property:

|                            | Three Months<br>Ended<br>September 30,<br>2021 | Three Months<br>Ended<br>September 30,<br>2020 | Nine Months<br>Ended<br>September 30,<br>2021 | Nine Months<br>Ended<br>September 30,<br>2020 |
|----------------------------|--|--|---|---|
| Acquisition costs          | \$ -   | \$ 160,000                                     | \$ 402,800                                    | \$ 160,000                                    |
| Administrative costs       | -  | -  | 338   | -   |
| Exploration and evaluation | 251,766  | -  | 587,009                                       | -   |
| Field equipment            | -  | -  | 32,002  | -   |
|                            | <b>\$ 251,766</b>                              | <b>\$ 160,000</b>                              | <b>\$ 1,022,149</b>                           | <b>\$ 160,000</b>                             |

Total expenditures all properties:

|                                | Three Months<br>Ended<br>September 30,<br>2021 | Three Months<br>Ended<br>September 30,<br>2020 | Nine Months<br>Ended<br>September 30,<br>2021 | Nine Months<br>Ended<br>September 30,<br>2020 |
|--------------------------------|--|--|---|---|
| Acquisition costs              | \$ 6,193,500                                   | \$ 160,000                                     | \$ 6,596,300                                  | \$ 165,641                                    |
| Administrative costs           | 51,084   | 3,485  | 111,962                                       | -   |
| Exploration and evaluation     | 1,374,108                                      | 197,780  | 3,223,449                                     | 272,188                                       |
| Field equipment                | 24,152   | -  | 86,130  | 616   |
| Total exploration expenditures | <b>\$ 7,642,844</b>                            | <b>\$ 361,265</b>                              | <b>\$ 10,017,841</b>                          | <b>\$ 438,445</b>                             |

**5. Share capital**

a) Authorized share capital

The authorized share capital consists of an unlimited number of common shares without par value ("Common Shares"). All issued shares are fully paid.

b) Common Shares issued

|  | Number of<br>common<br>shares | Amount               |
|--|-------------------------------|----------------------|
| Balance, December 31, 2019                                     | 90,029,209                    | \$ 1,695,586         |
| Shares issued in private placement (i)                         | 9,500,000                     | 950,000              |
| Shares issued for exploration expenditure option payments (ii) | 234,935                       | 160,000              |
| Balance, September 30, 2020                                    | 99,764,144                    | \$ 2,805,586         |
| Balance, December 31, 2020                                     | 105,221,695                   | \$ 5,885,428         |
| Shares issued in private placement - flow-through (iii)        | 6,433,334                     | 2,769,864            |
| Share issue costs (iii)  | -                             | (544,044)            |
| Shares issued for exploration option payments (iv) and (v)     | 10,050,000                    | 5,643,500            |
| Balance, September 30, 2021                                    | <b>121,705,029</b>            | <b>\$ 13,754,748</b> |

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**Class 1 Nickel and Technologies Limited**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2021**  
**(Expressed in Canadian Dollars)**  
**Unaudited**

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**5. Share capital (continued)**

b) Common shares issued (continued)

(i) On April 22, 2020, the Company closed a nonbrokered private placement of 9,500,000 common shares at \$0.10 per share for gross proceeds of \$950,000. A director of the Company subscribed for 6,000,000 Common Shares in the placement.

(ii) On August 2020, the Company issued an aggregate of 234,935 common shares (valued at \$160,000) to satisfy all outstanding share issuances required by the Company to earn a 100% undivided interest from Quebec Precious Metals Corporation in the Somanike Property.

(iii) On June 7, 2021, the Company closed of private placement of flow-through units (the "Offering"), whereby the Company issued 6,433,334 units for gross aggregate proceeds of \$4,011,500. Each unit consist of one common share and one common share purchase warrant which is exercisable for a period of three years. Pursuant to the Offering the Company issued 3,030,000 units to residents of Quebec ("Quebec Offering") at a price of \$0.65 per unit and 3,403,334 units to the residents in Canada ("Canada Offering") at a price of \$0.60 per unit. Each warrant issued pursuant to the Quebec Offering has an exercise price of \$0.85 per common share, and each warrant issued pursuant to the Canada Offering has an exercise price of \$0.80. The warrants were assigned a fair value of \$1,241,636 estimated by using the Black-Scholes option pricing model, using the following assumptions: share price \$0.60, exercise price of \$0.85 and \$0.80; a risk-free interest rate - 0.50%; expected volatility - 69.9%; dividend yield - 0%; and an expected life - 3 years.

In connection with the Offering, the Company incurred cash commission and legal financing fees of \$436,165, and issued 450,333 finders compensation options ("Finders' Options"). Each Finders' Option is exercisable at \$0.60 per option and entitles the holder to subscribe to a broker unit. Each broker unit consist of one common share and one warrant which has an exercise price of \$0.80 for a period of three years following the closing. The 450,333 Finders' Options were assigned a fair value of \$107,879, which was determined using the Black-Scholes option pricing model using the following assumptions: share price - \$0.60, dividend yield - 0%; expected volatility - 69.9%; risk- free interest rate - 0.50%; and an expected life - 3 years.

(iv) On August 22, 2021, the Company acquired 100% of Platinum Group Elements limited ("PGEL") strategic project portfolio of adjacent and adjoining's claims to the Company's Alexo-Dundonald project as well as Somanike project, and a complementary primary PGE project in Sudbury, Ontario, for a total consideration of \$550,000 in cash and issuance of 10 million common shares, for a total consideraation paid of \$6,150,000.

(v) On August 10, 2021, the Company issued 50,000 common shares at \$0.87 price per common share for \$43,500 and granted 50,000 stock options (note 6 (ii)) to Matachewan First Nation ("MFN") further to its previously announced memorandum of understanding dated March 3, 2021.

**6. Stock options**

On December 21, 2020, the Company's stock option plan (the "Option Plan") was approved by the Board of Directors (the "Board"). Pursuant to the terms of the Option Plan, the Board may designate directors, officers, employees and consultants of the Company eligible to receive options to acquire such numbers of common shares as the Board may determine, each option so granted being for a term specified by the Board up to a maximum of ten years from the date of grant. The maximum number of common shares reserved for issuance for options granted under the Option Plan at any time is 10% of the issued and outstanding common shares of the Company.

(i) On June 11, 2021, the Company granted 11,165,502 stock options to a director and consultant, with an exercise price \$0.60. The options vested immediately, and expire on June 11, 2024. A fair value of \$2,297,687 was determined using the Black- Scholes option pricing model. The following assumptions were used: dividend yield - 0%; expected volatility 70.21%; risk free interest rate – 0.48%; and an expected life – 3 years.

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**6. Stock options (continued)**

(ii) As part of the MOU dated March 3, 2021, on August 9, 2021, the Company granted 50,000 stock options to Matachewan First Nation, with an exercise price \$0.87. The options vested as to 15% on the grant date, 20% on September 2, 2021, 25% on March 3, 2022, the remaining 40% on September 3, 2022 and expire on February 3, 2023. A fair value of \$17,669 was determined using the Black- Scholes option pricing model. The following assumptions were used: dividend yield - 0%; expected volatility 76.61%; risk free interest rate – 0.25%; and an expected life – 1.92 years.

During the three and nine months ended September 30, 2021, the Company recorded stock-based compensation of \$8,972 and \$2,306,659 (three and nine months ended September 30, 2020 - \$nil).

|   | Number of<br>stock options | Weighted<br>average<br>exercise price |
|---|----------------------------|---------------------------------------|
| Balance, December 31, 2020 and September 30, 2020 | -                          | \$ -                                  |
| Balance, December 31, 2020                        | -                          | \$ -                                  |
| Issued (i) (ii) and note 5 (b) (v)                | <b>11,665,835</b>          | <b>0.60</b>                           |
| Balance, September 30, 2021                       | <b>11,665,835</b>          | <b>\$ 0.60</b>                        |

The following table reflects the actual stock options issued and outstanding as of September 30, 2021:

| Expiry date      | Exercise<br>price (\$) | Weighted average<br>Remaining<br>contractual<br>life (years) | Total<br>Options | Options<br>Exercisable |
|------------------|------------------------|--|------------------|------------------------|
| February 9, 2023 | 0.87                   | 1.36   | 50,000           | 17,500                 |
| June 7, 2024     | 0.60                   | 2.69   | 450,333          | 450,333                |
| June 11, 2024    | 0.60                   | 2.70   | 11,165,502       | 11,165,502             |
|                  |                        | 2.69   | 11,665,835       | 11,633,335             |

**7. Warrants**

The following table reflects the continuity of warrants for the three and nine months ended September 30, 2021 and 2020:

|   | Number of<br>warrants | Weighted<br>average<br>exercise price |
|---|-----------------------|---------------------------------------|
| Balance, December 31, 2019 and September 30, 2020 | -                     | \$ -                                  |
| Balance, December 31, 2020                        | <b>3,177,100</b>      | <b>\$ 1.02</b>                        |
| Granted (note 5 (b) (iii))                        | <b>6,433,334</b>      | <b>0.82</b>                           |
| Balance, September 30, 2021                       | <b>9,610,434</b>      | <b>\$ 0.89</b>                        |

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**7. Warrants (continued)**

The following table reflects the actual share purchase warrants issued and outstanding as of September 30, 2021:

| <b>Expiry date</b>               | <b>Grant date fair value (\$)</b> | <b>Remaining contractual life (years)</b> | <b>Number of warrants outstanding</b> | <b>Exercise price (\$)</b> |
|----------------------------------|-----------------------------------|---|---------------------------------------|----------------------------|
| November 4, 2023 <sup>(2)</sup>  | 467,196                           | 2.10                                      | 1,718,445                             | 1.00                       |
| November 4, 2023 <sup>(1)</sup>  | 8,441                             | 2.10                                      | 31,047                                | 1.00                       |
| November 13, 2023 <sup>(2)</sup> | 372,151                           | 2.12                                      | 1,207,232                             | 1.05                       |
| November 13, 2023 <sup>(1)</sup> | 69,641                            | 2.12                                      | 220,376                               | 1.00                       |
| June 7, 2024 <sup>(2)</sup>      | 570,834                           | 2.69                                      | 3,030,000                             | 0.85                       |
| June 7, 2024 <sup>(2)</sup>      | 670,802                           | 2.69                                      | 3,403,334                             | 0.80                       |
|                                  | 2,159,065                         |   | 9,610,434                             |                            |

(1) Broker finder warrants exercisable into units consisting of 1 common share and 1 warrant. Each additional warrant is exercisable at \$1 until November 4 and 13, 2023

(2) Exercisable into units consisting of 1 common share and 1 warrant. Each additional warrant is exercisable at \$1.00, \$1.05, until November 4, and 13, 2023, \$0.85 and \$0.80 until June 7, 2024.

**8. Related party transactions**

As at September 30, 2021, the Company has \$7,345 (December 31, 2020 - \$7,345) in amounts from a company with common shareholder of the Company.

During the three and nine months ended September 30, 2021, the Company incurred \$96,250 and \$288,750 (three and nine months ended September 30, 2020 - \$nil) in consulting services fees. As of September 30, 2021, the Company owed \$60,789 (December 31, 2020 - \$29,600) due to a former CEO for consultant services recorded in accounts payable and accrued liabilities.

During the three and nine months ended September 30, 2021, the Company incurred \$25,000 and \$75,000 (three and nine months ended September 30, 2020 - \$nil) in directors fees. As of September 30, 2021, the Company owe a director \$75,000 (December 31, 2020 - \$nil) these amounts are recorded in accounts payable and accrued liabilities.

Key management includes directors and other key personnel, including the CEO, President and CFO, who have authority and responsibility for planning, directing, and controlling the activities of the Company.

The Chief Financial Officer ("CFO") of the Company is a senior employee of Marrelli Support Services Inc. ("MSSI"). During the three and nine months ended September 30, 2021, the Company incurred professional fees of \$2,250 and \$6,750 (three and nine months ended September 30, 2020 - \$12,002 and \$31,133) to MSSI. These services were incurred in the normal course of operations for general accounting and financial reporting matters. MSSI also provides bookkeeping and other services to the Company and charged \$11,878 and \$31,979 for the services (three and nine months ended September 30, 2020 - \$11,468 and \$19,131). As at September 30, 2021, MSSI was owed \$2,942 (December 31, 2020 - \$nil) with respect to services provided. The balance owed was recorded in the statement of financial position in accounts payable and accrued liabilities.

As at September 30, 2021, directors and a significant shareholder of the Company, beneficially owns 86,146,696 common shares carrying approximately 74.73% of the voting rights attached to all common shares.

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**8. Related party transactions (continued)**

Additional remuneration of officers and directors of the Company was as follows:

|                                       | Three Months<br>Ended<br>September 30, |      | Nine Months<br>Ended<br>September 30, |      |
|---------------------------------------|--|------|---------------------------------------|------|
|                                       | 2021                                   | 2020 | 2021                                  | 2020 |
| Stock-based compensation              | \$ -                                   | \$ - | \$ 2,297,687                          | \$ - |
| Directors and management compensation | 123,500                                | -    | 370,500                               | -    |
|                                       | \$ 123,500                             | \$ - | \$ 2,668,187                          | \$ - |

**9. Commitments and contingencies**

Matachewan First Nation ("MFN")

The Company entered into a signed Memorandum of Understanding ("MOU") whereby the Company recognizes the traditional values of the MFN and commits the Company to consult and establish a mutually beneficial cooperative and productive relationship to advance the Alexo-Dundonald Nickel Project. The agreement also provides MFN opportunity to participate in the benefits of the Project through business opportunities, employment and training, financial compensation, and consultation on environmental matters.

Environmental contingencies

The Company's exploration activities are subject to various federal, provincial, and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Flow-through shares

As a September 30, 2021, pursuant to the issuance of 5,448,688 flow-through shares during November 2020 and December 2020, and 6,433,334 in June 2021, the Company is required to incur qualifying expenditures of approximately \$7,366,500 by December 31, 2022 and December 31, 2023. On June 29, 2021, the Department of Finance extended the flow-through funds spend period, filing and payment, and the look-back rule by one year, including suspending the Part XII.6 tax for the same period. The Company is subject to Part XII.6 taxes on any unspent flow-through expenditures. Since the proposal by the Department of Finance received Royal assent on June 29, 2021, the dates to incur Part XII.6 taxes will be extended by one year, however, if the amounts are not expended by the end of 2022 for agreements entered in 2020 or by the end of 2023 for agreements entered into in 2021, the additional 10% tax under Part XII.6 will apply.

As of September 30, 2021, the Company has fulfilled approximately \$2,918,761 of the total commitment. For the three and nine months ended September 30, 2021, the company has recorded amortization of flow-through premium of \$18,000 and \$75,000 (three and nine months ended September 30, 2020 - \$nil) in the unaudited condensed interim consolidated statements of loss and comprehensive loss.

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**10. Financial instruments and risks management**

Below is a summary showing the classification and measurement bases of the Company's financial instruments:

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| <b>Classification</b>                    | <b>IFRS 9</b>  |
|--|----------------|
| Cash and cash equivalents                | FVTPL          |
| Accounts receivables                     | Amortized cost |
| Due from related party                   | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |
| Deferred flow-through premium            | Amortized cost |
| Other liabilities                        | Amortized cost |

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Financial instrument are measured on initial recognition at fair value, and, in the case of financial instruments other than those classified as "fair value through profit and loss" ("FVTPL"), directly attributable transaction costs.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quotes prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

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

During the three and nine months ended September 30, 2021, there were no transfers between levels 1, 2 and 3 and there were no changes in valuation techniques.

*Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company has exposure to credit risk through its cash and cash equivalents, accounts receivable and amounts due from related parties. The Company manages credit risk in respect of cash and cash equivalents by maintaining cash at highly rated financial institutions.

*Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. As at September 30, 2021, the Company has sufficient cash and cash equivalent, and accounts receivables to settle accounts payable and accrued liabilities of \$738,910 (December 31, 2020 - \$196,836).

## **10. Financial instruments and risks management (Continued)**

### *Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and price risk.

#### Interest rate risk

The Company's cash consists of cash held in bank accounts that earn interest at variable interest rates. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Due to the short-term nature of these financial instruments fluctuations in market rates do not have a significant impact on estimated fair values. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. The interest income earned on cash is minimal; therefore, the Company is not subject to material interest rate risk.

#### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that its monetary assets and liabilities are denominated in currencies other than the Canadian Dollar. The Company's has no monetary assets and liabilities in currencies other than the Canadian Dollar, therefore the Company is not exposed to foreign currency risk.

#### Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as they relate to the base metals industry to determine the appropriate course of action to be taken by the Company.

## **11. Subsequent event**

On November 2, 2021, the Company announced a preliminary short form base shelf prospectus to offer and issue commons shares, debt securities, warrants, subscription receipts, units or any combination thereof for up to aggregate gross proceeds of \$10 million during the 25-month period.