PREMIUM NICKEL RESOURCES LTD. | principled mining

Formerly "North American Nickel Inc."

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021

In accordance with International Financial Reporting Standards ("IFRS") and stated in Canadian dollars, unless otherwise indicated.

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MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements, and the notes thereto, of Premium Nickel Resources Ltd., formerly North American Nickel Inc. and its subsidiaries have been prepared by management in accordance with International Financial Reporting standards. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management, in discharging these responsibilities, maintains a system of internal controls designed to provide reasonable assurance that its assets are safeguarded, only valid and authorized transactions are executed and accurate, timely and comprehensive financial information is prepared. However, any system of internal controls 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, principally through the Audit Committee, is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities.

The consolidated financial statements have been audited by MNP LLP, Chartered Professional Accountants, Licensed Public Accountants, who were retained by the Company to audit the consolidated financial statements and provide an independent auditor's report thereon. The auditor's report outlines the scope of their examination and their opinion on the consolidated financial statements. MNP LLP has full and free access to the Board of Directors.

"signed"
Keith Morrison
Chief Executive Officer

"signed"
Sarah Zhu
Chief Financial Officer

May 2, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Shareholders of Premium Nickel Resources Ltd. (Formerly North American Nickel Inc.)

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Premium Nickel Resources Ltd. (Formerly North American Nickel Inc.) (the Company) as of December 31, 2022 and the related consolidated statement of comprehensive loss, change in shareholders' equity, and cash flow for year ended December 31, 2022, and the related notes (collectively referred to as the consolidated financial statements).

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2022 and the results of its consolidated operations and its consolidated cash flow for the year ended December 31, 2022, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board .

Other Matter

The consolidated financial statements of the Company for the year ended December 31, 2021 and December 31, 2020 were audited by another auditor who expressed an unmodified audit opinion on those consolidated statements on April 25, 2022.

Material Uncertainty Related to Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company incurred a net loss from operations and has no source of operating cash flows that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter is also described in the "Critical Audit Matters" section of our report.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Going Concern

Critical Audit Matter Description

As described in Note 1, the Company, being in the exploration and redevelopment stage, is subject to risks and challenges similar to companies in a comparable stage of development. These risks include the challenges of securing adequate capital for exploration, development and operational risks inherent in the mining industry, and global economic and metal price volatility and there is no assurance management will be successful in its endeavors. The ability of the Company to continue operations as a going concern is ultimately dependent upon achieving profitable operations and its ability to obtain adequate financing. To date, the Company has not generated profitable operations from its resource activities and will need to invest additional funds in carrying out its planned exploration, development and operational activities. Management has prepared future cash flow forecasts, which involves judgement and estimation of key variables, such as planned financing and capital and operational expenditures. Future economic conditions and effects of key events subsequent to the year end, such as debt and equity financing, also impacted management's judgements and estimates. We identified the Company's ability to continue as a going concern as a critical audit matter because auditing the Company's going concern assessment is complex and involves a high degree of auditor judgment to assess the reasonableness of the cash flow forecasts, planned refinancing actions and other assumptions used in the Company's going concern analysis. The Company's ability to execute the planned refinancing actions are especially judgmental given that the global financial markets and economic conditions have been, volatile. This matter is also described in the "Material Uncertainty Related to Going Concern" section of our report.

Audit Response

We responded to this matter by performing procedures over management's assessment of the Company's ability to continue as a going concern. Our audit work in relation to this included, but was not restricted to, the following:

- We evaluated the cash flow forecasts prepared by management and evaluated the integrity and arithmetical accuracy of the model.
- We evaluated the key assumptions used in the model to estimate future cash flows for a reasonable period of time, not exceeding 12 months from the date of the consolidated statements of financial position, by comparing assumptions used by management against budgets, economic and industry indicators and publicly available information.
- We evaluated the key assumptions pertaining to estimated cash flows from operating activities and expected cash flows from financing activities, comparing these to available market data, underlying agreements, private placement raises and subsequent events thereafter.
- We assessed the adequacy of the going concern disclosures included in Note 1 of the consolidated financial statements and consider these to appropriately reflect the assessments that management has performed.

Reverse Acquisition of North American Nickel Ltd. - Fair Value of Consideration Received and Net Assets Acquired

Critical Audit Matter Description

On April 26, 2022, Premium Nickel Resources Corp. (“PNRC”) and North American Nickel Inc. (“NAN”) entered into a definitive amalgamation agreement pursuant to which PNRC would go-public by way of a reverse takeover of NAN. Effective August 3, 2022, NAN completed the 100% acquisition of the outstanding shares of PNRC for consideration in the amount of $39,142,383 and changed its name to Premium Nickel Resources Ltd. The substance of the transaction is reverse acquisition of a non-operating company and has been accounted for as an asset acquisition with NAN being identified as the accounting acquiree and the equity consideration being measured at fair value (“FV”) in accordance with IFRS 2. Refer to note 4 of the consolidated financial statements for further details.

This matter represented an area of significant risk of material misstatement, given the auditing of the reverse acquisition is complex due to the subjective nature of estimating the fair values of net assets acquired as at the date of the acquisition, particularly the exploration and evaluation assets, and fair value of consideration received. Significant auditor attention is required to evaluate the results of our audit procedures and assess the Company's determination of the fair value of the net assets acquired and fair value of consideration received.

Audit Response

We responded to this matter by performing procedures in relation to fair value of assets acquired and consideration received. Our audit work in relation to this included, but was not restricted to, the following:

- We obtained and evaluated management's assessment over appropriate accounting treatment of the transaction;
- We reviewed the amalgamation agreement to obtain an understanding of the key terms and conditions to identify the necessary accounting considerations and identification of assets and liabilities acquired;
- With the assistance of our valuation specialists, we evaluated whether the fair value of consideration has been appropriately valued;
- We performed audit procedures to validate the fair value of net assets acquired, specifically the fair value of exploration and evaluation assets, which involved evaluating budgeted expenditures, work plans, and conducting independent research of transactions in respective geographic regions; and
- We assessed the adequacy of the Company’s disclosure included in note 4, Amalgamation, of the accompanying consolidated financial statements in relation to this matter.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

We have served as the Company’s auditor since 2022.

Ottawa, Canada

May 2, 2023

PREMIUM NICKEL RESOURCES LTD. | principled mining

Formerly "North American Nickel Inc."

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	Notes	As at December 31, 2022	As at December 31, 2021
ASSETS			
CURRENT ASSETS			
Cash		5,162,991	1,990,203
Prepaid expenses		470,725	8,664
Other receivables	5	804,630	139,630
TOTAL CURRENT ASSETS		**6,438,346**	**2,138,497**
NON-CURRENT ASSETS			
Exploration and evaluation assets	6	31,823,982	3,099,926
Property, plant and equipment	7	3,394,670	-
TOTAL NON-CURRENT ASSETS		**35,218,652**	**3,099,926**
TOTAL ASSETS		**41,656,998**	**5,238,423**
LIABILITIES			
CURRENT LIABILITIES			
Trade payables and accrued liabilities	8	4,025,716	580,486
Current portion of lease Liability	10	1,365,697	-
Promissory note	9	7,070,959	-
TOTAL CURRENT LIABILITIES		**12,462,372**	**580,486**
NON-CURRENT LIABILITIES			
Vehicle financing		164,644	-
Provision for leave and severance		177,941	-
Lease liability	10	1,365,697	-
Deferred share units liability	11	298,000	
Financial liability – warrant		-	8,974,901
TOTAL NON-CURRENT LIABILITIES		**2,006,282**	**8,974,901**
TOTAL LIABILITIES		**14,468,654**	**9,555,387**
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital – common	11	91,144,268	7,952,675
Share capital – preferred	11	31,516	-
Reserve		15,257,140	1,261,891
Deficit		(78,092,605)	(13,482,624)
Foreign currency translation reserve		(1,151,975)	(48,906)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		**27,188,344**	**(4,316,964)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**41,656,998**	**5,238,423**

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Note 18)

The accompanying notes are an integral part of these Consolidated Financial Statements.

Approved by the Board of Directors on May 1, 2023

"signed"	"signed"
Keith Morrison	Don Newberry
Chief Executive Officer	Audit Committee Chair

PREMIUM NICKEL RESOURCES LTD. | principled mining

Formerly "North American Nickel Inc."

Consolidated Statements of Comprehensive Loss

(Expressed in Canadian dollars)

	Notes	Year ended December 31, 2022	Year ended December 31, 2021
EXPENSES			
Corporate and administration expenses		(3,317,039)	(564,666)
Management fees	12	(2,418,984)	(675,001)
Due diligence BCL		(18,039)	(138,935)
Advisory and consultancy		(1,895,004)	(357,980)
Depreciation	7	(96,543)	-
General exploration expenses		(69,366)	-
Interest and bank charges		(93,937)	(2,511)
Share-based payment	11	(7,731,117)	(1,261,891)
Deferred share units granted	11	(298,000)	-
Warrant fair value movement	11	8,974,901	(6,345,310)
Net foreign exchange gain (loss)		143,777	(13,311)
		(6,819,351)	**(9,359,605)**
OTHER ITEMS			
Interest expenses and other income		(416,703)	-
Acquisition loss on RTO	4	(29,174,415)	-
NET LOSS FOR THE YEAR		**(36,410,469)**	**(9,359,605)**
OTHER COMPREHENSIVE LOSS			
Exchange differences on translation of foreign operations		(1,103,069)	(48,906)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(37,513,538)**	**(9,408,511)**
Basic and diluted loss per share		**(0.34)**	**(0.13)**
Weighted average number of common shares outstanding - basic		**109,661,379**	**72,197,650**

The accompanying notes are an integral part of these Consolidated Financial Statements.

PREMIUM NICKEL RESOURCES LTD. | principled mining

Formerly "North American Nickel Inc."

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian dollars)

	Notes	Number of Shares	Share Capital	Preferred shares	Reserve	Deficit	Foreign Currency Translation Reserve	Total Shareholders' Equity (Deficiency)
BALANCE AS AT DECEMBER 31, 2020	11	**64,083,487**	**1,468,174**	**-**	-	**(4,123,019)**	**-**	**(2,654,845)**
Net Loss for the year		-	-		-	(9,359,605)	-	(9,359,605)
Share capital issued through private placement		12,596,421	6,771,729		-	-		6,771,729
Share issue costs			(287,228)		-	-		(287,228)
Share-based payment					1,261,891			1,261,891
Exchange differences on translation of foreign operations							(48,906)	(48,906)
BALANCE AS AT DECEMBER 31, 2021		**76,679,908**	**7,952,675**	**-**	**1,261,891**	**(13,482,624)**	**(48,906)**	**(4,316,964)**
Net loss for the year						(36,410,469)		(36,410,469)
Share capital issued through private placement		8,936,167	22,388,599					22,388,599
Share issue costs			(1,535,727)					(1,535,727)
Acquisition of NAN	4							
Cancel PNRC shares held by NAN		(7,667,707)	(19,710,608)					(19,710,608)
Cancel PNRC warrant held by NAN						(28,275,255)		28,275,255
PNRC shares exchanged		(77,948,368)	-					
PNRL shares received in exchange		82,157,536	-					
Outstanding shares of NAN acquired in RTO		31,748,399	77,431,152	31,516	9,665,577			87,128,245
Exercise of warrants		1,236,408	569,399					569,399
FV of exercised warrants			2,321,514		(2,321,514)			-
Exercise of options		1,379,000	723,076					723,076
FV of exercised options			1,004,188		(1,004,188)			-
Expired options					(75,743)	75,743		-
Share-based payment					7,731,117			7,731,117
Exchange differences on translation of foreign operations							(1,103,069)	(1,103,069)
BALANCE AS AT DECEMBER 31, 2022	11	**116,521,343**	**91,144,268**	**31,516**	**15,257,140**	**(78,092,605)**	**(1,151,975)**	**27,188,344**

The accompanying notes are an integral part of these Consolidated Financial Statements.

PREMIUM NICKEL RESOURCES LTD. | principled mining

Formerly "North American Nickel Inc."

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Notes	Year ended December 31, 2022	Year ended December 31, 2021
OPERATING ACTIVITIES			
Total net loss for the year		(36,410,469)	(9,359,605)
Items not affecting cash:			
Share-based payment		7,731,117	1,261,891
Deferred share units granted		298,000	
Depreciation		96,543	-
Provision for leave and severance		177,941	-
Accrued interest expense of Promissory note		70,959	
Warrant fair value movement		(8,974,901)	6,345,310
Loss on acquisition	4	29,174,415	-
Changes in working capital			
Prepaid expenses and other receivables		(1,127,061)	(121,241)
Trade payables and accrued expenses		3,445,230	419,326
Net cash used in operating activities		**(5,518,226)**	**(1,454,319)**
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(737,271)	-
Additions to Expenditures on exploration and evaluation assets		(28,924,135)	(3,099,926)
Cash received though RTO transaction	4	11,051,917	-
Net cash used in investing activities		**(18,609,489)**	**(3,099,926)**
FINANCING ACTIVITIES			
Proceeds from issuance of common shares		23,404,857	6,771,729
Share issue costs		(1,535,727)	(287,228)
Vehicle loan financing		164,644	
Promissory note financing		6,740,000	-
Net cash provided by financing activities		**28,773,774**	**6,484,501**
Impact of currency translation for the foreign operations		**(1,473,271)**	**(48,906)**
Change in cash for the year		3,172,788	1,881,350
Cash at the beginning of the year		1,990,203	108,853
Cash at the end of the year		**5,162,991**	**1,990,203**

The accompanying notes are an integral part of these Consolidated Financial Statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

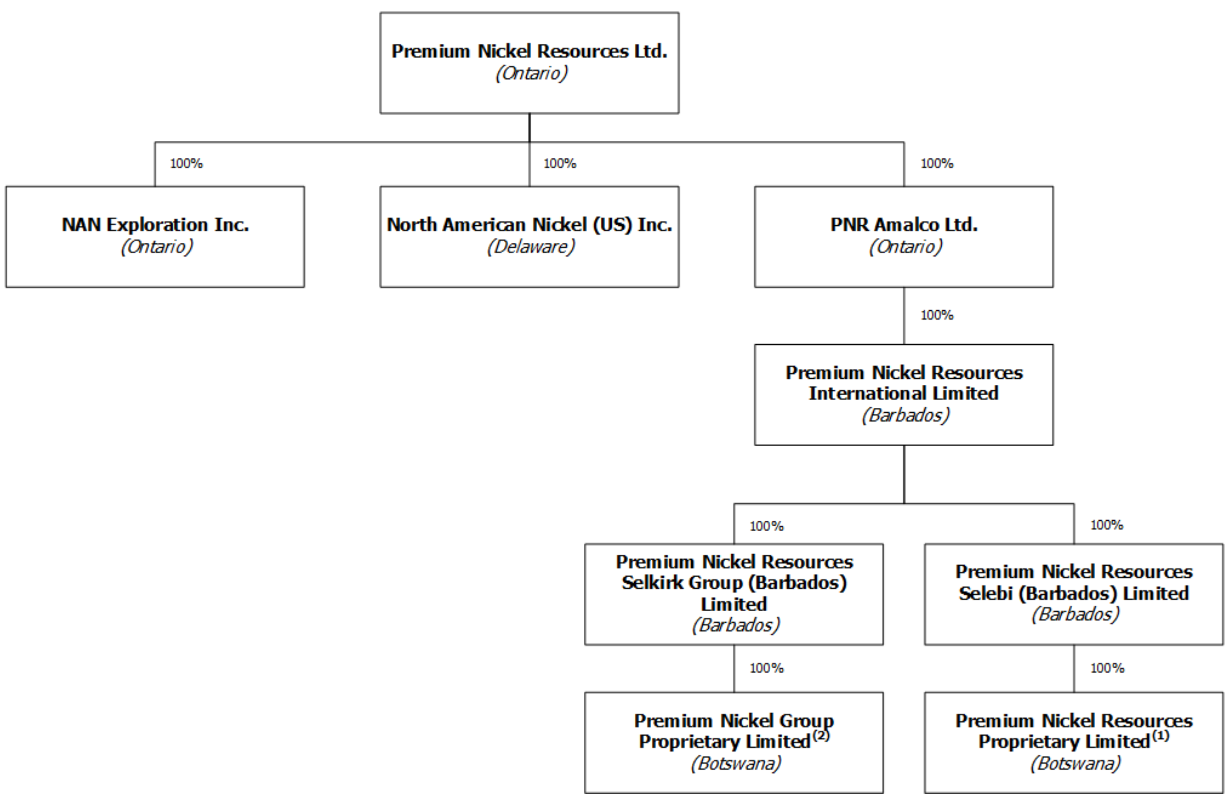
Premium Nickel Resources Ltd. (TSXV: PNRL) (formerly, North American Nickel Inc.) (the "Company" or "PNRL") was founded upon the closing of a reverse takeover transaction (the "**RTO**") whereby Premium Nickel Resources Corporation ("**PNRC**") and 1000178269 Ontario Inc., a wholly owned subsidiary of North American Nickel Inc. ("**NAN**"), amalgamated by way of a triangular amalgamation under the Business Corporations Act (Ontario) ("**OBCA**") (the "**Amalgamation**") on August 3, 2022. (Note 4). Prior to the RTO, the common shares of NAN were listed and posted for trading on the TSX Venture Exchange (the "**Exchange**") under the symbol "NAN".

Prior to the RTO, PNRC was a private company existing under the OBCA to evaluate, acquire, improve and reopen, assuming economic feasibility, a combination of certain assets of BCL Limited ("**BCL**") and Tati Nickel Mining Company ("**TNMC**") that were in liquidation in Botswana. The initial investors of PNRC include NAN, several resource investors and local Namibian and Botswana mine operators.

In connection with the RTO, the Company was continued under the OBCA and changed its name from "North American Nickel Inc." to "Premium Nickel Resources Ltd."

Currently, the Company's principal business activity is the exploration and development of mineral properties in Botswana through its wholly-owned subsidiaries.

The following corporate structure chart sets out details of the direct and indirect ownership of the principal subsidiaries of the Company:



Notes:

(1) Premium Nickel Resources Proprietary Limited owns the Selebi Mines (as defined below).
(2) Premium Nickel Group Proprietary Limited owns the Selkirk mine.

The Company has its head and registered office at One First Canadian Place, 100 King Street West, Suite 3400, Toronto, Ontario, Canada, M5X 1A4.

On September 28, 2021, PNRC executed a definitive asset purchase agreement (the "**Selebi APA**") with the liquidator of BCL to acquire the Selebi and Selebi North (together, the "Selebi Assets") nickel-copper-cobalt ("**Ni-Cu-Co**") deposits and related infrastructure formerly operated by BCL. On January 31, 2022, PNRC closed the transaction and ownership of the assets was transferred to the Company.

PNRC also negotiated a separate asset purchase agreement to finalize terms for any prioritized assets formerly operated by TNMC. On August 22, 2022, the Company announced the completion of its acquisition of the nickel, copper, cobalt, platinum-group elements ("**Ni-Cu-Co-PGE**") Selkirk mine in Botswana, together with associated infrastructure and four surrounding prospecting licenses (collectively, the "**Selkirk Assets**"). The acquisition was completed pursuant to the PNRC's previously-announced asset purchase agreement with the liquidator of TNMC on January 20, 2022. With the acquisition now complete, ownership of the Selkirk mine has been transferred to the Company

The Company continues to monitor the global COVID-19 developments and is committed to working with health and safety as a priority and in full respect of all government and local COVID-19 protocol requirements. PNRL has developed COVID-19 travel, living and working protocols and is ensuring integration of those protocols with the currently applicable protocols of the Government of Botswana and surrounding communities. The impact of COVID-19 on the Company's operation was mainly the increase in travelling costs due to travel restriction as well as inflated material cost for exploration and drilling work.

Going Concern

The Company, being in the exploration and redevelopment stage, is subject to risks and challenges similar to companies in a comparable stage of exploration and development. These risks include the challenges of securing adequate capital for exploration, development and operational risks inherent in the mining industry, and global economic and metal price volatility and there is no assurance management will be successful in its endeavors. As at December 31, 2022, the Company had no source of operating cash flows, nor any credit line currently in place. The Company incurred a net loss of $36,410,469 for the year ended December 31, 2022 ($9,359,605) for the year ended December 31, 2021). The Company's committed cash obligations and expected level of expenses will vary depending on its operations.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The ability of the Company to continue operations as a going concern is ultimately dependent upon achieving profitable operations and its ability to obtain adequate financing. To date, the Company has not generated profitable operations from its resource activities and will need to invest additional funds in carrying out its planned exploration, development and operational activities. It is not possible to predict whether financing efforts will be successful or if the Company will attain a profitable level of operation. These material uncertainties cast substantial doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities and the reported expenses and comprehensive loss that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

The evaluation properties in which the Company currently has an interest are in pre-revenue exploration stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and cover administrative costs, the Company will use its existing working capital and raise additional amounts as needed. Although the Company has been successful in its past fundraising activities, there is no assurance as to the success of future fundraising efforts or as to the sufficiency of funds raised in the future. The Company will continue to assess new properties and seek to acquire interests in additional properties if there is sufficient geologic or economic potential and if adequate financial resources are available to do so.

The consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on May 1, 2023. The discussion in the notes to the consolidated financial statements is stated in Canadian dollars.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board (the "IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

(b) Basis of preparation

These consolidated financial statements have been prepared under the historical cost convention, modified by the revaluation of any financial assets and financial liabilities where applicable. The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. These areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

(c) Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Effective August 3, 2022, NAN completed the 100% acquisition of the outstanding shares of PNRC (Note 4). As the shareholders of PNRC obtained control of the Company through the exchange of their shares of PNRC for shares of NAN, the acquisition of PNRC has been accounted for in these consolidated financial statements as a reverse takeover. Consequently, the consolidated statements of loss and cash flows reflect the results from the operations and cash flows of PNRC, the legal subsidiary, for the year ended December 31, 2022 and 2021, combined with those of NAN, the legal parent, from the acquisition on August 3, 2022 to December 31, 2022, in accordance with generally accepted accounting principles for reverse takeovers. The comparative balance sheet reflects the balance sheet of PNRC as at December 31, 2021.

(d) Foreign currency translation

The Company's functional and presentation currency is the Canadian dollar. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

(e) Foreign operations

In the Company's consolidated financial statements, all assets, liabilities and transactions of the Company's entities with a functional currency other than the Canadian dollar are translated into Canadian dollars upon consolidation. The functional currency of the Company's subsidiaries in Barbados is the US dollar, and the Botswana Pula (BWP) for the subsidiaries in Botswana during the reporting period. On consolidation, assets and liabilities have been translated into Canadian dollars at the closing rate on the reporting date. Fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Canadian dollars at the closing rate on the reporting date. Income and expenses have been translated into Canadian dollars at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive loss and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

(f) Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The following table shows the classification of the Company's financial assets and liabilities:

Financial asset/ liability	**Classification**
Cash	FVTPL
Trade payables and accrued liabilities	Amortized cost
Lease liability	Amortized cost
Promissory note	Amortized cost
Vehicle financing	Amortized cost
Financial liability – warrant	FVTPL
Deferred share unit liability	FVTPL

Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise.

Impairment of financial assets at amortized cost

An 'expected credit loss' impairment model applies that requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition

Financial assets

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

Investments are derecognized when the rights to receive cash flows from the investments have expired or the Company has transferred the financial asset and the transfer qualifies for derecognition.

Financial liabilities

Financial liabilities are derecognized when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the Statement of Comprehensive Loss.

(g) Exploration and evaluation assets

Exploration and evaluation assets include the costs of acquiring licenses, costs associated with exploration and evaluation activity less accumulated impairment losses and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are initially capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are generally recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts, events and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

The Company may occasionally enter into farm-out arrangements, whereby it will transfer part of an interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess consideration accounted for in profit.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the consolidated statement of *comprehensive loss.*

(h) Impairment of assets

Non-financial assets, including exploration and evaluation assets and property, plant and equipment, are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs and for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to the profit or loss, except to the extent the loss reverses gains previously recognized in other comprehensive loss

(i) Leases

At commencement of a contract, the Company assesses whether a contract is, or contains, a lease by determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A right-of-use (the "ROU ") asset and lease liability are recognized at the lease commencement date. The lease liability is initially measured at the present value of all future lease payments that have not been paid as of the commencement date of the lease, discounted using the Company's incremental borrowing rate, unless the rate implicit in the lease is readily determinable. The ROU asset is initially measured at cost, which is calculated as the initial amount of the lease liability, with an adjustment for any initial direct costs incurred, plus adjustments for any lease payments made in advance of the commencement date, and less any lease incentives received. Subsequent to initial recognition, the ROU asset is depreciated on a straight-line basis over the term of the lease or the estimated useful life, with inclusion for any options to extend that the Company reasonably expects to exercise.

ROU assets are tested for impairment in accordance with IAS 36 Impairment of Assets. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. These adjustments are recorded through profit or loss.

(j) Property, plant and equipment

Property, Plant and Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of a significant replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of comprehensive loss during the financial period in which they are incurred. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation is calculated on a straight-line method to charge the cost, less residual value, of the assets to their residual values over their estimated useful lives. The depreciation rate applicable to each category of property, plant and equipment is as follows:

Equipment	**Estimated useful life (years)**
Exploration equipment	5
Computer software	2
Computer equipment	1-2
Vehicles	4
Furniture and fixture	10
Buildings	25

(k) Share capital

The Company's common shares and share warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares, warrants or options are shown in equity as a deduction from the proceeds.

Proceeds received on the issuance of units, consisting of common shares and warrants are allocated to share capital.

(l) Share-based payments

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

Where the terms and conditions of options are modified, the increase in the fair value of the options, measured immediately before and after the modification, is also recognized over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods and services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

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

(m) Deferred Share Units ("DSUs")

In the year ended December 31, 2022, the Company approved the adoption of a DSU plan. In accordance with IFRS 2 Share Based Payments, this plan is a cash-settled share-based compensation program whereby the Company records the fair value of the liability at the date upon which it is incurred and adjusts the liability to the fair value at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

The DSU Plan enables the Company upon approval by the Directors to grant DSU's to eligible non-management directors. Upon granting DSU's, the Company records stock-based compensation based on the number of units granted multiplied by the volume weighted average price of the Company's common shares for the last five trading days ("5-day-VWAP") immediately preceding the date of the grant.

The DSUs credited to the account of a director may only be redeemed following the date upon which the holder ceases to be a director. Depending upon the country of residence of a director, the DSUs may be redeemed at any time prior to December 15 in the calendar year following the year in which the holder ceases to be a director, and may be redeemed in as many as four installments. Upon redemption, the holder is entitled to a cash payment equal to the number of units redeemed multiplied by the 5-day-VWAP of the Company's common shares on that date. The Company may elect, in its sole discretion, to settle the value of the DSUs redeemed in the Company's common shares on a one-for-one basis, provided shareholder approval has been obtained on or prior to the relevant redemption date.

(n) Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on loss per common share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

Basic loss per common share is calculated using the weighted average number of common shares outstanding during the period and does not include outstanding options and warrants. Dilutive loss per common share is not presented differently from basic loss per share as the conversion of outstanding stock options and warrants into common shares would be anti-dilutive.

(o) Income taxes

Income tax expense comprises current income and deferred income tax. Current tax and deferred tax are recognized in net loss except to the extent that it arises in a business combination, or from items recognized directly in equity or other comprehensive loss

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive losses equity is recognized in other comprehensive loss or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is calculated using the asset and liability method of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. We have not recognized any deferred tax asset as at December 31, 2022 as there are currently no sources of taxable profit currently available to the Company. We will continue to reassess whether the tax attributes meet the criteria for recognition as a deferred tax asset.

(p) Accounting standards and amendments issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2023. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or non-current is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2024.

IAS 1 – In February 2021, the IASB issued 'Disclosure of Accounting Policies' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for year ends beginning on or after January 1, 2023.

IAS 8 – In February 2021, the IASB issued 'Definition of Accounting Estimates' to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for year ends beginning on or after beginning on or after January 1, 2023.

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3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that can affect reported amounts of assets, liabilities, revenue and expenses and the accompanying disclosures. Estimates and assumptions are continuously evaluated and are based on management's historical experience and on other assumptions believed to be reasonable under the circumstances. However, different judgments, estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The area involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are:

Critical Accounting Judgement:

(a) RTO – fair value

Fair value considerations for the RTO transactions are assessed in accordance with International Financial Reporting Standards (IFRS). These considerations are based on various factors such as the fair value of the assets acquired or liabilities assumed, the fair value of equity instruments issued, and any related acquisition costs.

The assumptions and estimates used in arriving at fair value figures are based on management's judgments and relevant market data. The fair value of the equity instruments issued is determined based on market prices or valuation techniques that take into account factors such as expected share price volatility.

(b) Recoverability of exploration and evaluation Assets

The ultimate recoverability of the exploration and evaluation assets with a carrying value of $31,823,982 at December 31, 2022, is dependent upon the Company's ability to obtain the necessary financing to complete the exploration and development and commence profitable production at its projects, or alternatively, upon the Company's ability to dispose of its interests therein on an advantageous basis. A review of the indicators of potential impairment is carried out at least at each period end.

Management undertakes a periodic review of these assets to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount of the assets is made. An impairment loss is recognized when the carrying value of the assets is higher than the recoverable amount and when mineral license tenements are relinquished or have lapsed. In undertaking this review, management of the Company is required to make significant estimates of, among other things, discount rates, commodity prices, availability of financing, future operating and capital costs and all aspects of project advancement. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the assets.

(c) Restoration provisions

Management's best estimates regarding the restoration provisions are based on the current economic environment. Changes in estimates of contamination, restoration standards and restoration activities result in changes to provisions from period to period. Actual restoration provisions will ultimately depend on future market prices for future restoration obligations. Management has determined that the Company has no restoration obligations at December 31, 2022.

(d) Going concern

Consolidated financial statements are prepared on a going concern basis unless management either intends to liquidate the Company or has no realistic alternative to do so. Assessment of the Company's ability to continue as a going concern requires the consideration of all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. This information includes estimates of future cash flows and other factors, the outcome of which is uncertain. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast substantial doubt upon the Company's ability to continue as a going concern those uncertainties are disclosed.

Critical Accounting Estimates

(a) Valuation of share-based compensation

The Company estimates the fair value of warrants and options using the Black-Scholes Option Pricing Model which requires significant estimation around assumptions and inputs such as expected term to maturity, expected volatility and expected forfeiture rates. Note 8 of the consolidated financial statements contains further details of significant assumptions applied to these areas of estimation.

(b) Deferred income tax

Tax benefits from uncertain tax positions may be recognized when it is probable that the Company will be able to use deductible temporary differences against taxable profit: (i) whether a tax position, based solely on its technical merits, is probable to be sustained upon examination, and (ii) measuring the tax benefit as the expected value or most likely amount taking into consideration which method better predicts the realized amounts upon ultimate settlement.

Furthermore, the Corporation uses the asset and liability method in accounting for deferred income taxes and mining duties. Under this method, deferred income taxes are recognized for future income tax.

In preparing these estimates, management is required to interpret substantially enacted legislation as well as economic and business conditions along with management's tax and corporate structure plans which may impact taxable income in future periods.

(c) Estimated useful lives and depreciation of property, plant and equipment

Depreciation of property, plant and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

4. AMALGAMATION

On April 26, 2022, PNRC and NAN entered into a definitive amalgamation agreement (the "**Amalgamation Agreement**") in respect of their previously-announced RTO transaction, pursuant to which PNRC would "go-public" by way of a reverse takeover of NAN.

Transaction Particulars

Pursuant to the Amalgamation Agreement:

(i) NAN's subsidiary, 1000178269 Ontario Inc. ("**NAN Subco**"), amalgamated with PNRC under Section 174 of the OBCA to form one corporation;
(ii) Holders of PNRC shares exchanged their shares at a rate of 1.054 shares of NAN for each share of PNRC (the "**Exchange Ratio**"), after giving effect to a 5-to-1 share consolidation for each outstanding share of NAN; and
(iii) the transactions resulted in an RTO of the Company in accordance with the policies of the TSXV, all in the manner contemplated by, and pursuant to, the terms and conditions of the Amalgamation Agreement.

In connection with the RTO, NAN has, among other things: (i) changed its name to "Premium Nickel Resources Ltd."; (ii) changed its stock exchange ticker symbol to "PNRL"; and (iii) reconstituted the board of directors and management of the Company. The outstanding options of PNRC immediately prior to the effective time of the RTO were exchanged and adjusted pursuant to the terms of the Amalgamation Agreement such that holders thereof were entitled to acquire, following the closing of the RTO, options of the Company after giving effect to the Exchange Ratio, as applicable.

Pursuant to the Amalgamation Agreement, the Company issued 82,157,536 common shares of the Company (on a post-consolidation basis) in exchange for 77,948,368 outstanding shares of PNRC immediately prior to the effective time of the RTO. Immediately after giving effect to the RTO Transaction, the Company was owned approximately 72.1% by persons who were shareholders of PNRC prior to the RTO and 27.9% by persons who were shareholders of NAN prior to the RTO.

Prior to this exchange, NAN had 31,748,399 shares outstanding (on a post-consolidation basis). Taking into account the composition of the board and senior management and the relative ownership percentages of NAN and PNRC shareholders in the newly combined enterprise, from an accounting perspective PNRC is considered to have acquired NAN, and hence the transaction has been recorded as a reverse takeover.

The substance of the transaction is a reverse acquisition of a public company. The transaction does not constitute a business acquisition as NAN does not meet the definition of a business under IFRS 3 as it has no inputs or processes. As a result, the transaction is accounted for as a capital transaction with NAN being identified as the accounting acquiree and the equity consideration being measured at fair value ("**FV**").

The purchase price has been determined based on the number of shares that PNRC would have had to issue on the date of closing to give the owners of NAN the same percentage equity (27.9%) of the combined entity as they hold subsequent to the reverse takeover.

(Expressed in Canadian dollars)

The costs of the acquisition have been allocated as follows:

FV of shares transferred	$	77,431,152
FV of options, warrants and agent warrants		9,665,577
FV of preferred shares		31,516
Settlement of pre-existing relationship – 15% warrant and shares*		(47,985,863)
Total FV of consideration transferred	$	39,142,383
Cash	$	11,051,917
Trade and other receivables		450,522
Property, plant and equipment		14,111
Trade payables and accrued liabilities		(1,548,582)
Net assets acquired		9,967,968
Loss on acquisition		29,174,415
	$	39,142,383

**Pre-existing relationship*
Before the closing of the RTO, NAN owned 7,667,707 common shares of PNRC and a 15% warrant which entitled NAN to purchase common shares of PNRC, for up to 15% of the then outstanding capital of PNRC, upon payment of US $10,000,000 prior to the fifth anniversary of the date of issue. Prior to the date that the Amalgamation became effective, the PNRC shares and the 15% warrant held by NAN were contributed to NAN Subco, as part of the securities contribution, resulting in such securities being cancelled by operation of the triangular amalgamation.

Prior to the RTO, the fair value of the 15% warrant and the shares held by NAN were $28,275,255 and $19,710,608, respectively. The fair value of the shares was calculated based on the last offer price of PNRC financing prior to the RTO, and the fair value of the warrants was calculated using the Black-Sholes Model with the following assumptions: expected life of 2.57 years, expected dividend yield of 0%, a risk free rate of 3.14% and an expected volatility of 141.63%. As they were the securities contributed by NAN on the closing of the RTO, the fair value of the warrants and shares were included as part of the consideration on the acquisition date.

Pursuant to the RTO, an aggregate of 8,827,250 options to purchase common shares of the Company ("**Replacement Options**") were issued (on a post 5:1 consolidation basis) to the former holders of options to purchase common shares of PNRC (prior to the RTO) ("**PNRC Options**") in exchange for 8,375,000 PNRC Options. The Replacement Options issued to the former holders of PNRC Options were on the same terms and conditions as those exchanged by PNRC holders except all the previously unvested options vested immediately. Immediately prior to the completion of the RTO, PNRC had 2,383,333 unvested options outstanding which re-evaluated at a FV of $ 5,138,022 upon the completion of the RTO according to IFRS2. See Note 11 (d) for details.

Given that the RTO has been accounted for as a reverse takeover of NAN by PNRC, from an accounting perspective, PNRC is deemed to have issued options and warrants to the former security holders of NAN. Immediately prior to the closing of the RTO, NAN had 2,995,794 options and 2,228,340 warrants outstanding, respectively, as well as 118,186 preferred shares that could be converted to 13,131 common shares of NAN (on a post-consolidation basis). The aggregate fair value of such 2,995,794 options, 2,228,340 warrants and 118,186 preferred shares of NAN was $9,665,577, and this amount has been included as a component of the purchase price. Costs related to the transaction were $2,327,125 and were expensed as incurred.

(Expressed in Canadian dollars)

The fair value of NAN's options and warrants as at August 3, 2022 was calculated using the following assumptions:

As of August 3, 2022	Warrants	Options
Expected dividend yield	0%	0%
Share price of last financing	$0.48	$0.48
Expected share price volatility	64.91% -113.22%	133.15% - 143.3%
Risk free interest rate	3.18%	2.85% - 3.08%
Remaining life of warrants & options	0.03 - 2 years	2.56 – 4.23 years

For purposes of determining the fair value of the share consideration exchanged on the RTO, the shares of PNRC were valued at US$2.00 per share, the offering price for the PNRC shares on the last PNRC equity financing prior to the RTO.

The RTO resulted in a loss of $29,174,415 with respect to the fair value of the consideration transferred over the fair value of identifiable net assets, which has been recorded as a loss during the year in other income.

5. OTHER RECEIVABLES

A summary of the other receivables as at December 31, 2022 and December 31, 2021 is detailed in the table below:

	December 31, 2022	December 31, 2021
HST paid on purchases	445,128	84,563
VAT paid on purchases	359.502	55,067
	804,630	**139,630**

(Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS

	Botswana		
	Selebi	**Selkirk**	**Total**
Acquisitions			
Balance, December 31, 2021	-		-
Acquisition costs	8,251,518	327,109	8,578,627
Balance, December 31, 2022	8,251,518	327,109	8,578,627
Exploration			
Balance, December 31, 2021	3,099,926	-	3,099,926
Site operations & administration	1,601,381	46,100	1,647,481
Care & Maintenance	5,177,677	-	5,177,677
Geology	1,573,182	163,812	1,736,994
Drilling	7,202,715	8,613	7,211,328
Geophysics	1,659,814	12,651	1,672,465
Engineering	1,968,618	66,761	2,035,379
ESG	197,675	35,262	232,937
Metallurgy & MP	75,955	4,800	80,755
Technical studies	46,762	12,202	58,964
Health and safety	277,284	-	277,284
Infrastructure – water studies	14,165	-	14,165
Balance, December 31, 2022	22,895,154	350,201	23,245,355
Total, December 31, 2022	**31,146,673**	**677,310**	**31,823,982**
Total, December 31, 2021	**3,099,926**	**-**	**3,099,926**

The following is a description of the Company's exploration and evaluation assets and the related spending commitments:

Botswana Assets - Selebi and Selkirk

On September 28, 2021, the Company executed the Selebi APA with the BCL liquidator to acquire the Selebi assets and related infrastructure formerly operated by BCL. On January 31, 2022, the Company closed the transaction and ownership of the Selebi Assets transferred to the Company.

PNRC also negotiated a separate asset purchase agreement (the "Selkirk APA") with the liquidator of TNMC to acquire the Selkirk deposit and related infrastructure formerly operated by TNMC on January 20, 2022 and closed the transaction on August 22, 2022.

Pursuant to the Selebi APA the aggregate purchase price payable to the seller for the Selebi Assets, shall be the sum of $76,862,200(US$56,750,000) which amount shall be paid in three instalments:

- $2,086,830 (US$1,750,000) payable on the closing date. This payment has been made.
- $33,860,000 (US$25,000,000) upon the earlier of: a) approval by the Ministry of Mineral Resources, Green Technology and Energy Security ("**MMRGTES**") of the Company's Section 42 and Section 43 Applications (further extension of the mining license and conversion of the mining licence into an operating license respectively), and b) on the expiry date of the study phase, January 31, 2025, which can be extended for one year with written notice.
- The third instalment of $40,632,000 (US$30,000,000) is payable on the completion of mine construction and production start-up (commissioning) by the Company on or before January 31, 2030, but not later than four years after the approval by the Minister of MMRGTES of the Company's Section 42 and Section 43 Applications.
- Payment of care and maintenance funding contribution in respect of the Selebi Assets for a total of $6,164,688 (US$5,178,747) from March 22, 2021 to the closing date. This payment has been made.

The total acquisition cost of Selebi included the 1st instalment of $2,086,830 (US$1,750,000) and the payment of the care and maintenance funding contribution of $6,164,688 (US$5,178,747) for the asset. As per the terms and conditions of the Selebi APA, the Company has the option to cancel the second and third payments and give back the Selebi Assets to the liquidator in the event where the exploration program determines that the Selebi Assets are not economical. The Company also has an option to pay in advance the second and third payments in the event where the exploration program determines that the Selebi Assets are economical. The Company's accounting policy, as permitted by IAS 16 – *Property, Plant and Equipment*, is to measure and record contingent consideration when the conditions associated with the contingency are met. As of December 31, 2022, none of the conditions of the second and third instalment are met. Hence, these amounts are not accrued in the consolidated financial statements.

In addition to the Selebi APA, the purchase of the Selebi Assets is also subject to a contingent compensation agreement as well as a royalty agreement with the liquidator.

In regard to the Selkirk Assets, the Selkirk APA does not provide for a purchase price or initial payment for the purchase of the assets. The acquisition cost of Selkirk of $327,109 (US$244,954) was the care and maintenance funding contribution from April 1, 2021 to the closing date of the Selkirk APA. The Selkirk APA provides that if the Company elects to develop Selkirk first, the payment of the second Selebi instalment of $33,860,000 (US$25,000,000) would be upon the approval by the Minister of MMRGTES of the Company's Section 42 and Section 43 Applications (further extension of the Selkirk mining license (years) and conversion of the Selkirk mining licence into an operating license respectively). For the third Selebi instalment of $40,632,000 (US$30,000,000), if Selkirk were to be commissioned earlier than Selebi, the payment would trigger on Selkirk's commission date.

During the year ended December 31, 2022, the Company incurred $28,046,746 and $677,310 in acquisition and exploration expenditures on the Selebi Assets and Selkirk Assets, respectively (December 31, 2021 - $3,099,926).

Greenland – Maniitsoq Property

The Company's Maniitsoq property in Greenland was owned by NAN prior to the RTO. The Maniitsoq property is subject to a 2.5% net smelter return ("NSR"). The Company can reduce the NSR to 1% by paying $2,000,000 on or before 60 days from the decision to commence commercial production.

At the expiration of the first license period, the Company may apply for a second license period (years 6-10), and the Company may apply for a further 3-year license for years 11 to 13. Thereafter, the Company may apply for additional 3-year licenses for years 14 to 16, 17 to 19 and 20 to 22. The Company will be required to pay additional license fees and will be obligated to incur minimum eligible exploration expenses for such years.

The Company may terminate the licenses at any time, however any unfulfilled obligations according to the licenses will remain in force, regardless of the termination.

Future required minimum exploration expenditures will be adjusted each year on the basis of the change to the Danish Consumer Price Index.

Prior to the closing of the RTO on August 3, 2022, the Maniitsoq property had a book value of $36,692,516. As the transaction is accounted for as a capital transaction with NAN being identified as the accounting acquiree, the net assets of NAN should be measured at fair value at the acquisition date. Upon the completion of the RTO, the Company has switched its focus to development of the Botswana assets with the result that limited resources (management time, capital etc.) have since been allocated or will be allocated to the Greenland assets. Management believes that facts and circumstances exist to suggest that the carrying amount of the Maniitsoq property at August 3, 2022 exceeds its fair value. As a result, the carrying value of the Greenland assets has been reduced to nil as of August 3, 2022, for a total impairment of $36,692,516.

From August 3 to December 31, 2022, the Company spent an additional $48,001 in acquisition and exploration expenditures on the Maniitsoq property, which is comprised of the Sulussugut, Ininngui, Carbonatite and 2020/05 Licenses. These expenditures were recorded as general exploration expense in the consolidated statements of comprehensive loss.

The Sulussugut License (2011/54), which was first granted on August 15, 2011 by the Bureau of Minerals and Petroleum ("**BMP**") of Greenland, has been renewed and is valid until December 31, 2022. The Company has available credits of DKK 278,854,152 (approximately $55,627,220) at the end of December 31, 2021. The credits available from each year may be carried forward for three years plus a two-year extension and expire between December 31, 2022 and December 31, 2024.

The Ininngui License (2012/28) was first granted by BMP on March 4, 2012.During the year ended December 31, 2021, the Company received a license extension, which provides for a renewal period until December 31, 2023. Total cumulative surplus credit as at December 31, 2021 was DKK 35,426,696 (approximately $7,067,162) and is expected to expire between December 31, 2022 and December 31, 2024.

Carbonatite License (2018/21) was granted on May 4, 2018 for exclusive exploration rights of an area located near Maniitsoq in West Greenland. The license is valid for five years until December 31, 2022 and during the year ended December 31, 2021, the Company received a license extension, which provides for renewal until December 31, 2024. The Company has a total surplus credit of DKK 10,577,191 (approximately $2,110,012) which is expected to expire between December 31, 2023 and December 31, 2024.

On February 18, 2020, the Company was granted new prospective license No. 2020/05, by the BMP of Greenland for a period of five years ending December 31, 2024.

Canada – Post Creek, Halcyon and Quetico Property

NAN acquired the rights to the Post Creek, Halcyon and Quetico properties within the Sudbury Mining District of Ontario in 2013, 2015, and 2018, respectively. The Company is obligated to pay advances on net smelter return royalties ("NSR") of $10,000 per annum for the Post Creek Property and $8,000 per annum for the Halcyon Property. The total of the advances will be deducted from any payments to be made under the NSR.

The work commitment to hold all 809 claim cells of Quetico was $323,600, with claims due in April and May of 2022. NAN renewed 49 high priority claims for two years for the Quetico East Block and renewed 46 claims for one year and four high priority claims for two years for the West Block. All other claims expired.

Prior to the closing of the RTO on August 3, 2022, total book value of the Canadian assets was $2,535,873 which has been written off effective as at August 3, 2022, the closing date of the RTO as the Company has switched its focus to development of the Botswana assets with the result that limited resources (management time, capital etc.) have since been allocated or will be allocated to the Canada assets. During the period from August 3 to December 31, 2022, the Company incurred additional $21,739 in exploration and license related expenditures for the Canadian properties and the expenditures were recorded as general exploration expense in the consolidated statements of comprehensive loss.

High Atlas Project in Morocco

In 2018, the Company's geologists identified a project opportunity in the high Atlas Mountains of Morocco. There is no modern geophysical coverage and no drilling on the property.

In 2019, the Company signed a memorandum of understanding (the "**MOU**") with Office National des Hydrocarbons et des Mines ("**ONHYM**"), a government entity and the single largest current permit holder in Morocco. Through this alliance, the Company was given access to confidential exploration data to develop nickel projects in the High Atlas Region of Morocco. In November and December 2021, the Company lodged applications for five permits in Morocco. In December, four of the five permits were awarded to the Company. An application for a fifth permit was submitted and awarded in February 2022. Work plans were submitted in May 2022. The work obligations are approximately $65,000 per permit over a three-year period with work commencing within six months.

In October 2022, the Company and ONHYM decided not to pursue the joint venture discussions that initially set out the general framework of a joint venture for the exploration and consolidation of permits owned by ONHYM in the Imilchil area. The Company intends to continue its work on the five permits it acquired in 2021 in the same region.

(Expressed in Canadian dollars)

The exploration and license related expenditures for the project are recorded as property investigation expense in the consolidated statements of comprehensive loss. The Company has spent $nil on the project during the period from August 3 to December 31, 2022.

7. PROPERTY, PLANT AND EQUIPMENT

The table below sets out costs and accumulated amortization as at December 31, 2022. The Company had no property, plant and equipment as at December 31, 2021.

Cost	Land and Buildings (ROU Assets)	Furniture and Fixtures	Exploration Equipment	Generator	Vehicles	Computer and software	Total
Balance – December 31, 2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Additions	3,077,421	126,605	11,973	31,381	241,884	1,950	3,479,240
Dispositions	-	-	-	-	-		-
Balance – December 31, 2022	**3,077,421**	**126,605**	**11,973**	**31,381**	**241,884**	**1,950**	**3,479,240**

Accumulated Depreciation	Land and Buildings (ROU Assets)	Furniture and Fixtures	Exploration Equipment	Generator	Vehicles	Computer and software	Total
Balance – December 31, 2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation during the year	51,124	1,872	1,447	562	39,589	1,950	96,543
Balance – December 31, 2022	**51,124**	**1,872**	**1,447**	**562**	**39,589**	**1,950**	**96,543**

Carrying Value	Land and Buildings (ROU Assets)	Furniture and Fixtures	Exploration Equipment	Generator	Vehicles	Computer and Software	Total
Balance – December 31, 2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance – December 31, 2022	**3,026,267**	**124,733**	**10,526**	**30,819**	**202,295**	**-**	**3,394,670**

(Expressed in Canadian dollars)

8. TRADE PAYABLES AND ACCRUED LIABILITIES

	December 31, 2022	December 31, 2021
Amounts due to related parties (note 12)	43,235	225,904
Trade payables	3,660,519	218,456
Accrued liabilities	321,962	136,126
	4,025,716	**580,486**

9. PROMISSORY NOTE

On November 21, 2022, the Company announced a $7,000,000 million bridge loan (the "**Bridge Loan**") financing from Pinnacle Island LP (the "**Lender**"). The Bridge Loan financing closed on November 25, 2022 and net proceeds of $6,740,000 were received by the Company (after deducting the commitment fee of $260,000). The Bridge Loan is evidenced by the issuance of a promissory note by the Company to the Lender (the "**Promissory Note**"). The Promissory Note has a principal amount of $7 million and bears interest at a rate of 10% per annum, calculated monthly and initially payable on February 22, 2023, being the maturity date of the Promissory Note, with a right of the Company to extend the maturity date to March 22, 2023 and further by providing written notice to the Lender by February 15, 2023. The Company extended the maturity to March 22, 2023 and negotiated further extension to November 24, 2023. All other terms of the Promissory Note remain the same. Further details are disclosed in the subsequent events note 17 for further details.

In connection with the promissory note, the Company accrued $70,959 of interest due to the Lender as at December 31, 2022.

The obligations of the Company under the Promissory Note are fully and unconditionally guaranteed by each of its existing and future subsidiaries. No assets of the Company were pledged as collateral under the Promissory Notes. The Promissory Note is subject to certain covenants and provisions on events of default, repayments and mandatory prepayments.

In connection with the Bridge Loan financing, the Company also issued 119,229 common share purchase warrants to the Lender, each of which is exercisable to acquire one common share of the Company at a price of $2.04 per share until November 25, 2023. The fair value of the liability of the warrants was estimated at $46,492 using the Black-Scholes Option Pricing Model. Subsequent to year end, in connection with the extension of the maturity of the promissory note from March 22, 2023 to November 24, 2023 these warrants were cancelled and 350,000 new non-transferrable common share purchase warrants were issued.

10. LEASE LIABILITY

On July 9, 2022, the Company executed a sales agreement (the "Agreement") with Tuli Tourism Pty Ltd. (the "Seller") for the Syringa Lodge (the "Lodge") in Botswana.

As per the Agreement of the Lodge, the aggregate purchase price payable to the Seller shall be the sum of $3,213,404 (BWP 30,720,000.00) A deposit of $482,011 (BWP 4,608,000) was paid on August 17, 2022. The balance is payable into two installments of $1,365,697 (BWP 13,056,000.00) on July 1, 2023 and August 1, 2024.

In addition to the above purchase price, the Company will pay to the Seller the Agreed Interest Amount in 12 equal monthly instalments of $13,657 (BWP 130,560), followed by 12 equal monthly instalments of $6,828 (BWP 65,280).

The details of lease liabilities are as follows:

(Expressed in Canadian dollars)

	December 31, 2022
lease liabilities as of beginning of year	-
Lease additions from acquisitions	3,213,404
Lease payments	(550,295)
Interest expense on lease liabilities	68,285
IFRS 16 lease liabilities as of end of year	2,731,394
Current portion of lease liability (less than one year)	1,365,697
Long-term lease liability (one to five year)	1,365,697

11. SHARE CAPITAL, WARRANTS AND OPTIONS

The authorized capital of the Company comprises an unlimited number of common shares without par value and 100,000,000 Series 1 convertible preferred shares without par value.

Effective August 3, 2022, in connection with the closing of the RTO, the Company completed a share consolidation of the Company's issued and outstanding common shares, exchanging one (1) post-consolidation common share without par value for every five (5) pre-consolidation common shares issued and outstanding.

All references to share capital, warrants, options and weighted average number of shares outstanding have been adjusted in these financial statements and retrospectively to reflect the Company's RTO share exchange and 5-for-1 share consolidation as if it occurred at the beginning of the earliest period presented.

a) *Common Shares Issued and Outstanding*

On August 3, 2022, PNRC combined with NAN in a reverse takeover transaction whereby shareholders of PNRC exchanged their shares at a rate of 1.054 shares of NAN for each share of PNRC, after giving effect to a 5-to-1 share consolidation for each outstanding share of NAN (Note 4). The following table provides a continuity of share capital presented in these consolidation financial statements:

	PNRC common share		Company common share	
	Number	**Amount**	**Number**	**Amount**
December 31, 2020	64,083,487	$ 1,468,174	-	-
Share capital issued through private placement (net of issue costs)	12,596,421	6,484,501	-	-
December 31, 2021	76,679,908	7,952,675	-	-
Share capital issued through private placement (net of issue costs)	8,936,167	20,852,872	-	-
Cancel PNRC shares held by NAN	(7,667,707)	-	-	(19,710,608)
Shares exchanged on the RTO	(77,948,368)	(28,805,547)	82,157,536	28,805,547
Share capital of the Company immediately post RTO			31,748,399	77,431,152
Shares issued for exercised warrants			1,236,408	2,890,913
Shares issued for exercised options			1,379,000	1,727,264
Balance as at December 31, 2022	-	**$ -**	**116,521,343**	**$ 91,144,268**

2022

In April 2022, the Company completed a non-brokered private placement of 8,936,167 shares at a price of US$2.00/Share for gross proceeds of $22,388,599 (US$17,731,238). In connection with the private placement, the Company has paid to eligible finders ("Finders") (i) cash commission equal to 6% of the gross proceeds raised from subscribers introduced to the Company by such Finders, being an aggregate of $1,535,727, and (ii) a number of common share equal to 6% of the units attributable to the Finders under the private placement, being an aggregate of 70,548 shares with total value of $176,398 at the offer price of the private placement.

On August 3, 2022, the date of the RTO, a total of 82,157,536 common shares of NAN were issued in exchange for 77,948,368 shares of PNRC. These shares were added to the current NAN shares outstanding balance of 31,748,399 for total shares outstanding of 113,905,935 upon closing of the RTO.

Before the closing of the RTO, NAN owned 7,667,707 common shares of PNRC and a 15% warrant which entitled NAN to purchase common shares of PNRC, for up to 15% of the capital of PNRC at the time of such purchase, upon payment of US $10,000,000 prior to the fifth anniversary of the date of issue. Prior to the date that the Amalgamation became effective, the PNRC shares and the 15% warrant held by NAN were contributed to NAN Subco, as part of the securities contribution, resulting in such securities being cancelled by operation of the triangular amalgamation.

Prior to the RTO, the fair value of the 15% warrant and the shares held by NAN were $28,275,255 and $19,710,608, respectively. The fair value of the shares was calculated based on the last offer price of PNRC financing prior to the RTO, the fair value of the 15% warrant was calculated using the Black-Sholes Model with the *the following assumptions: expected life of 2.57 years, expected dividend yield of 0%, a risk free rate of 3.14% and an expected volatility of 141.63%*. As the securities were contributed by NAN and cancelled on completion of the RTO, the fair value was included as part of the consideration on the acquisition date.

Post RTO, during the period from August 3 to December 31, 2022, a total of 1,236,408 common shares of the Company were issued upon the exercise of warrants at prices between $0.45 and $1.75 per share for total cash proceeds of $569,399. As a result of these exercises, $2,880,376 was transferred from reserve to share capital.

Post RTO, during the period from August 3 to December 31, 2022, a total of 1,379,000 common shares of the Company were issued upon the exercise of options at prices between $0.39 and $1.60 per share for total cash proceeds of $723,076. As a result of these exercises, $1,004,188 was transferred from reserve to share capital.

As at December 31, 2022, the Company had 116,521,343 common shares issued and outstanding (December 31, 2021 – 80,820,623 on a post-RTO and post -consolidation basis).

2021

During the year 2021, the Company closed two non-broker private placement equity financings totalling 12,596,421 shares (pre-RTO, pre-share-consolidation basis) at a price of $0.40 and $0.95, respectively, and raised aggregate gross proceeds of $6,771,729. The Company incurred total share issuance costs of $287,228, including the fair value of $7,000 for 17,000 shares issued to the agent in conjunction with the first private placement.

As at December 31, 2021, the Company had 76,679,908 common shares issued and outstanding (pre-RTO, pre-share-consolidation basis).

b) *Preferred shares issued and outstanding*

As at December 31, 2022 and December 31, 2021 there are 118,186 series 1 preferred shares outstanding (on a post-RTO and post-consolidation basis).

The rights and restrictions of the preferred shares are as follows:

i) dividends shall be paid at the discretion of the directors;

(Expressed in Canadian dollars)

ii) the holders of the preferred shares are not entitled to vote except at meetings of the holders of the preferred shares, where they are entitled to one vote for each preferred share held;
iii) the shares are convertible at any time after six months from the date of issuance, upon the holder serving the Company with 10 days written notice; and
iv) the number of the common shares to be received on conversion of each preferred share is to be determined by dividing the conversion value of the share, $1 per share, by $9.00.

c) Warrants

On February 26, 2021, PNRC issued NAN a non-transferable share purchase warrant (the "**Warrant**"), which entitled NAN to purchase common shares of PNRC for up to 15% of the then outstanding capital of PNRC, upon payment of US $10,000,000 prior to the fifth anniversary of the date of issue.

The Warrant was classified as a derivative financial liability that should be measured at fair value, with changes in value recorded in profit or loss. Prior to the RTO, on Jun 30, 2022, the Company reassessed the fair value of the warrant at $28,275,256 and recorded the amount as a long-term financial liability. The fair value of the warrant did not change up to the date of the RTO as the underline assumptions remained the same.

The fair value of the liability of the Warrant was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	December 31, 2022	December 31, 2021
Expected dividend yield	0%	0%
Latest private placement price	$2.49	$0.95
Expected share price volatility	141.63%	144.13%
Risk free interest rate	3.14%	1.02%
Remaining life of warrants	2.66 years	3.16 years

Volatility assumptions for the valuation of the Warrant were derived by reference to the volatility of NAN as the stock price of NAN was highly correlated to the advancement of the BCL assets acquisition following its investment in PNRC.

Prior to the date that the Amalgamation became effective, the PNR Shares and the Warrant held by NAN were contributed to NAN Subco, as part of the securities contribution, resulting in such securities being cancelled by operation of the triangular amalgamation. The fair value of the Warrant was written off upon the closing of the RTO. PNRC had no other issued and outstanding warrants prior to the RTO.

Warrant activity, after converting for the Exchange Ratio, for the year ended December 31, 2022 was as follows:

Premium Nickel Resources Ltd.	Number Outstanding (Post-consolidation basis)	Weighted Average Exercise Price ($)
December 31, 2021	-	-
Adjustment pursuant to the RTO	2,228,340	1.11
Issued	119,229	2.04
Exercised	(1,236,408)	0.46
Cancelled / expired	(12,375)	-
Balance as at December 31, 2022	1,098,786	1.96

PNRC had no warrants as at December 31, 2021 except the Warrant granted to NAN that was subsequently cancelled upon the RTO.

(Expressed in Canadian dollars)

At December 31, 2022, the Company had outstanding common share purchase warrants exercisable to acquire common shares of the Company as follows:

Warrants Outstanding	Expiry Date	Exercise Price ($)	Weighted Average remaining contractual life (years)
683,905	April 16, 2023	1.75	0.18
295,652	August 3, 2024	2.40	0.43
119,229	November 25, 2023	2.04	0.10
1,098,786			0.71

d) Stock options

The Company adopted a Stock Option Plan (the "**Plan**"), providing the authority to grant options to directors, officers, employees and consultants enabling them to acquire up to 20% of the issued and outstanding common shares of the Company. Under the Plan, the exercise price of each option typically equals to the last closing price per share on the trading day immediately preceding the day on which the Company announces the grant of the option, less applicable discount, if any, permitted by the policies of the Exchanges and approved by the Board. The options can be granted for a maximum term of five years.

The outstanding options of each company prior to the completion of the RTO were as follows:

North American Nickel	**Number Outstanding (post-consolidation basis)**	**Weighted Average Exercise Price ($)**
December 31, 2021	3,010,919	1.35
Cancelled/expired	(15,125)	6.00
Balance as at August 3, 2022 prior to business combination with PNRC	**2,995,794**	**1.33**

Premium Nickel Resources Corp.	**Number Outstanding**	**Weighted Average Exercise Price ($)**
December 31, 2021	5,775,000	0.52
Granted	2,600,000	2.49
Balance as at August 3, 2022 prior to business combination with NAN	**8,375,000**	**1.13**

Subsequent to the RTO, the outstanding options of the Company were as follows:

Premium Nickel Resources Ltd.	**Number Outstanding**	**Weighted Average Exercise Price ($)**
Balance as at August 3, 2022 prior to business combination with PNRC	2,995,794	1.33
Issued pursuant to RTO in exchange for options of PNRC	8,827,250	1.16
Options exercised	(1,416,000)	0.46
Balance as at December 31, 2022	**10,407,044**	**1.10**

During the year ended December 31, 2022, prior to the RTO, PNRC granted an aggregate total of 2,600,000 stock options to employees, directors and consultants with a maximum term of five years. The options are exercisable at US$2.00 per share (C$2.49/share) with 1/3 vesting on the date of grant, 1/3 on the first anniversary and 1/3 on the second anniversary following the close of the US$20,000,000 private placement.

(Expressed in Canadian dollars)

Upon the closing of the RTO, all PNRC options were exchanged for options of the Company at a rate of 1.054 and vested in full immediately. Prior to the RTO, PNRC had granted but unvested options of 2,512,033 (Post RTO, Post-consolidation basis). These options were considered a replacement awarded under the former plan and modification accounting under IFRS 2 Share based payments was applied. When modification accounting is applied, the Company revalued those stock options using the Black-Scholes Option Pricing Model.

The fair value of all options, including those granted during the year ended December 31, 2022 as well as the ones granted but not vested during the year ended December 2021, amounted to $7,731,117 and was recorded as a share-based payment expense. The weighted average fair value of options granted is $1.41 per option.

The fair value of stock options granted and vested during the year ended December 31, 2022 was calculated using the following assumptions:

	December 31, 2022	December 31, 2021
Expected dividend yield	0%	0%
Latest private placement price	$0.40 - $2.53	$0.95
Expected share price volatility	125.83%-129.48%	125.18%-127.03%
Risk free interest rate	0.42% - 2.85%	0.42% - 1.11%
Expected life of options	4.16 - 5 years	5 years

Volatility assumptions for the valuation of options were derived by reference to the volatility of NAN as the stock price of NAN was highly correlated to the advancement of the BCL assets acquisition following its investment in PNRC.

Details of options outstanding as at December 31, 2022 are as follows:

Options Outstanding	Options Exercisable	Expiry Date	Exercise Price ($)	Weighted average remaining contractual life (years)
900,000	900,000	February 24, 2025	0.80	0.19
240,000	240,000	August 19, 2025	0.45	0.06
3,689,000	3,689,000	January 26, 2026	0.39	1.09
597,000	597,000	February 25, 2026	1.60	0.15
1,343,850	1,343,850	September 29, 2026	0.91	0.48
998,794	998,794	October 25, 2026	2.00	0.37
2,740,400	2,740,400	January 20, 2027	2.62	1.07
10,407,044	10,407,044			**3.41**

e) DSU Plan

Effective December 2022, the Company approved a Deferred Share Unit Plan ("DSU Plan") ("DSUs") that enables the Company upon approval by the Directors to grant DSUs to eligible non-management directors. The DSUs credited to the account of a director may only be redeemed following the date upon which the holder ceases to be a director. Depending upon the country of residence of a director, the DSUs may be redeemed at any time prior to December 15 in the calendar year following the year in which the holder ceases to be a director and may be redeemed in as many as four installments. Upon redemption, the holder is entitled to a cash payment equal to the number of units redeemed multiplied by the 5-day-VWAP of the Company's common shares on that date. The Company may elect, in its sole discretion, to settle the value of the DSUs redeemed in the Company's common shares on a one-for-one basis, provided shareholder approval has been obtained on or prior to the relevant redemption date.

(Expressed in Canadian dollars)

During the year ended December 31, 2022, DSUs have been granted as follows:

	2022
Number of DSUs outstanding at the beginning of the fiscal year	-
Number of DSUs during the year	200,000
Number of DSUs outstanding at the end of the year	200,000

During the year ended December 31, 2022, the DSU compensation amounted to $298,000 recorded as share based compensation, and a DSU liability of the same amount.

f) Reserve

The reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital. Amounts recorded for forfeited or expired unexercised options and warrants are transferred to deficit.

During the year ended December 31, 2022, the Company recorded $7,731,117 (December 31, 2021 - $1,261,891) of share-based payments to reserves and transferred $3,325,702 to share capital for exercised warrants and options (December 31, 2021 – Nil).

12. RELATED PARTY TRANSACTIONS

The following amounts due to related parties are included in trade payables and accrued liabilities (note 8).

	December 31, 2022	December 31, 2021
Directors and Officers of the Company	43,235	26,759
NAN	-	199,145
	43,235	**225,904**

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

(a) Related party transactions

During the year ended December 31, 2022, ThreeD Capital subscribed for a further 1,213,538 common shares of PNRC (1,279,069 shares on a post-RTO and post-consolidation basis), for a further investment of $3,064,582 (US$2,427,076) (2021 - $374,123). As of December 31, 2022, ThreeD Capital beneficially owns 8,662,347 shares (2021 - 7,383,278 shares) in both cases on a post-RTO and post-consolidation basis, constituting approximately 7.5% (2021 – 9.14%) of the issued and outstanding shares of the Company.

Between March 2 and March 3, 2022, PNRC issued promissory notes to its officers and directors as well as its shareholders as below:

Directors and Officers of the Company	35,000
ThreeD Capital	762,180
NAN	1,270,000
	2,067,180

(Expressed in Canadian dollars)

On April 30, 2022, all amounts owing in respect of the above promissory notes were repaid in full by payment of cash in an amount of $2,018,568, including interest and fees, and by issuing 310,000 PNRC Shares (326,740 shares of the Company on a post-RTO and post-consolidation basis).

(b) Key management personnel is defined as members of the Board of Directors and senior officers.

Key management compensation was related to the following:

	December 31, 2022	December 31, 2021
Management fees	2,418,984	675,001
Due diligence BCL	-	131,600
Corporate and administration expenses	102,884	108,193
Share base payment	4,623,089	1,019,932
	7,144,957	**1,934,726**

13. FINANCIAL INSTRUMENTS

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include interest rate risk, credit risk, liquidity risk, market risk and currency risk. The carrying value of cash and trade payables and accrued liabilities approximate their fair value due to their short-term nature. The fair value of the Promissory Note, vehicle financing and lease liability are equal to their carrying values as all these amounts carry a fix interest rate. The fair value of the DSUs is the closing price of the Company's common share at the end of each reporting period. Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

On December 31, 2022, the fair value of the Company's warrant liabilities are based on Level 3 measurements and the fair value of cash and DSUs is based on Level 1 measurements.

14. RISK MANAGEMENT

The Company's exposure to market risk includes, but is not limited to, the following risks:

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not subject to significant changes in interest rates.

Foreign Currency Exchange Rate Risk

Currency risk is risk that the fair value of future cash flows will fluctuate because of changes in foreign currency exchange rates. In addition, the value of cash and other financial assets and liabilities denominated in foreign currencies can fluctuate with changes in currency exchange rates.

(Expressed in Canadian dollars)

The Company operates in Canada, Barbados and Botswana and undertakes transactions denominated in foreign currencies such as US dollar and Botswana Pula, and consequently is exposed to exchange rate risks. Exchange risks are managed by matching levels of foreign currency balances and related obligations and by maintaining operating cash accounts in non-Canadian dollar currencies.

Foreign currency denominated financial assets and liabilities which expose the Company to currency risk are disclosed below. The amount shown are those reported and translated into CAD at the closing rate.

	Short -term exposure		Long-term exposure
	USD	**BWP**	**BWP**
December 31, 2022			
Financial assets	2,834,303	473,980	32,058,793
Financial liabilities	(1,246,825)	(2,176,110)	(1,530,341)
Total exposure	**1,587,477**	**(1,702,130)**	**30,528,452**

	Short -term exposure		Long-term exposure
	USD	**BWP**	**BWP**
December 31, 2021			
Financial assets	244,154	155,548	739,767
Financial liabilities	(34,231)	(130,270)	-
Total exposure	**209,924**	**25,278**	**739,767**

The following table illustrates the sensitivity of net loss in relating to the Company's financial assets and financial liabilities and the USD/CAD exchange rate and BWP/CAD exchange rate all other things being equal. It assumes +/- 5% change of the USD/CAD and BWP/CAD exchange rates for the year ended December 31, 2022 and 2021 respectively.

If the CAD strengthened against the USD and BWP by 5% respectively, (2021 – 5 %), it would have had the following impact:

	Profit for the year			Long-term exposure profit for the year
	USD	**BWP**	**Total**	**BWP**
December 31, 2022	79,374	(85,106)	(5,733)	1,526,423
December 31, 2021	10,496	1,264	11,760	36,988

If the CAD weakened against the USD and BWP by 5% respectively, (2021 – 5 %), it would have had the following impact:

	Profit for the year			Long-term exposure profit for the year
	USD	**BWP**	**Total**	**BWP**
December 31, 2022	(79,374)	85,106	5,733	(1,526,423)
December 31, 2021	(10,496)	(1,264)	(11,760)	(36,988)

The higher foreign currency exchange rate sensitivity in profit in 2022 compared with 2021 is attributable to an increase in activities of foreign operations in Botswana and Barbados.

(Expressed in Canadian dollars)

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 credit risk is primarily associated with liquid financial assets. The Company limits exposure to credit risk on liquid financial assets by holding cash at highly-rated financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages the liquidity risk inherent in these financial obligations by regularly monitoring actual cash flows to annual budget which forecast cash and expected cash availability to meet future obligations.

The Company will defer discretionary expenditures, as required, in order to manage and conserve cash required for current liabilities.

The following table shows the Company's contractual obligations as at December 31, 2022:

December 31, 2022	**Less than 1 year**	**1 - 2 years**	**2 - 5 years**	**Total**
Trade payables and accrued liabilities	4,450,966	-	-	4,450,966
Vehicle financing	50,291	50,291	64,062	164,644
Lease liability	1,365,697	1,365,697	-	2,731,394
	5,866,954	**1,415,988**	**64,062**	**7,347,004**

Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern, so that adequate funds are available or are scheduled to be raised to meet its ongoing administrative and operating costs and obligations. This is achieved by the Board of Directors' review and ultimate approval of budgets that are achievable within existing resources, and the timely matching and release of the next stage of expenditures with the resources made available from capital raisings and debt funding from related or other parties. In doing so, the Company may issue new shares, restructure or issue new debt.

The Company is not subject to any externally imposed capital requirements imposed by a regulator or a lending institution.

In the management of capital, the Company includes the components of equity (deficiency), loans and borrowings, and other current liabilities, net of cash.

	December 31, 2022	**December 31, 2021**
Shareholder's equity (deficiency)	27,188,344	(4,316,964)
Current liabilities	12,462,372	580,486
	39,650,716	(3,736,478)
Cash	(5,162,991)	(1,990,203)
	34,487,725	**(5,726,681)**

(Expressed in Canadian dollars)

15. SEGMENTED INFORMATION

The Company operates in one reportable operating segment being that of the acquisition, exploration and development of mineral properties in three geographic segments being Botswana, Greenland and Canada (note 6). The Company's geographic segments are as follows:

	December 31, 2022	December 31, 2021
Current assets		
Canada	3,198,343	1,779,117
Barbados	493,552	63,677
Botswana	2,746,450	295,703
Total	**6,438,346**	**2,138,497**

	December 31, 2022	December 31, 2021
Property, plant and equipment		
Canada	10,717	-
Botswana	3,383,956	-
Total	**3,394,673**	**-**

	December 31, 2022	December 31, 2021
Exploration and evaluation assets		
Botswana	31,823,982	3,099,926

16. INCOME TAXES

The reported recovery of income taxes differs from amounts computed by applying the statutory income tax rates to the reported loss before income taxes as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Loss before income taxes	$ (36,410,469)	$ (9,359,605)
Statutory tax rate	26.50%	26.50%
Expected income tax recovery at the statutory tax rate	(9,648,774)	(2,480,295)
Permanent differences and other	7,227	(6)
Stock based payment	(2,378,349)	334,401
Fair value adjustment on warrants	2,127,716	1,681,507
Change in estimates and other	(520,103)	
Differences in foreign tax rates	360,345	34,131
Acquisition loss on RTO	7,731,220	
Change in deferred tax assets not recognized	2,320,718	430,261
Income tax recovery	$ -	$ -

(Expressed in Canadian dollars)

As at December 31, 2022, the Company has the following deferred tax assets (liabilities):

	Year ended December 31, 2022	Year ended December 31, 2021
Deferred tax asset	$	$
Non-capital losses available for carry forward	94,260	-
Right-of-use asset	600,907	-
Deferred tax liabilities		
Lease Liability	(695,166)	-
Net deferred tax asset (liability)	$ -	$ -

Deferred tax assets in excess of deferred tax liabilities have not been recognized in respect of the following attributes because it is not probable that future taxable profit will be available against which the Company can use the benefits:

	Year ended December 31, 2022	Year ended December 31, 2021
Exploration and evaluation assets	$ 1,243,480	$ 329,522
Loss carry forwards	10,066,250	369,658
Share issuance costs	2,124,869	62,018
Equipment	3,397	-
Total unrecognized deductible temporary differences	$ 13,437,996	$ 761,198

The tax losses that have not been recognized expire as follows:

	Losses
2029	$ 1,349,090
2039	101,573
2040	351,131
2041	942,144
2042	5,351,811
Indefinite	1,970,501
	$ 10,066,250

The company has approximately Canadian non-capital losses of $6,746,659 which expire between 2039 and 2042. The Company also has Barbados losses of $1,349,090 which expire in 2029. Botswana losses of approximately $1,970,501 may be carried forward indefinitely.

17. CONTINGENT LIABILITIES

There are no environmental liabilities associated with the Selebi Assets and the Selkirk Assets as at the acquisition dates as all liabilities prior to the acquisitions are the responsibility of the sellers, BCL and TNMC, respectively. The Company has an obligation for the rehabilitation costs arising subsequent to the acquisitions. As of December 31, 2022, management is not aware of or anticipating any contingent liabilities that could impact the financial position or performance of the Company related to its exploration and evaluation assets.

The Company's exploration and evaluation assets are affected by the laws and environmental regulations that exist in the various jurisdictions in which the Company operates. It is not possible to estimate the future contingent liabilities and the impact on the Company's operating results due to future changes in Company's development of its projects or future changes in such laws and environmental regulations.

18. SUBSEQUENT EVENTS

On February 24, 2023, the Company announced it had closed its previously-announced "best efforts" brokered private placement offering under which 4,437,184 common shares of the Company (the "Common Shares") were issued at a price of $1.75 per Common Share for gross proceeds of $7,765,072.00 (the "Offering") through a syndicate of agents. In connection with the Offering, the Company (i) paid to the agents a cash commission equal to 6% of the gross proceeds (other than on certain president's list purchasers on which a cash commission of 3% was paid), and (ii) issued to the agents that number of non-transferable broker warrants of the Company (the "Broker Warrants") as is equal to 6% of the number of Common Shares sold under the Offering (other than on Common Shares issued to president's list purchasers on which Broker Warrants equal to 3% were issued). Each Broker Warrant is exercisable to acquire one Common Share at an exercise price of $1.75 per Common Share until February 24, 2025. A total of of 221,448 broker warrants were issued to the agents of the Private Placement

On March 17, 2023, the Company announced that it has entered into an amended and restated promissory note (the "A&R Promissory Note") extending the maturity of its previously issued $7,000,000 promissory note from March 22, 2023 to November 24, 2023 (the "Extension"). The A&R Promissory Note is held by Pinnacle Island LP, an arm's-length limited partnership formed under the laws of the Province of Ontario (the "Lender"). All other terms of the Promissory Note remain the same. In connection with the Extension and entry into of the A&R Promissory Note, the Company paid an amendment and restatement fee of $225,000 and issued 350,000 non-transferrable common share purchase warrants (the "Warrants") to the Lender. Each Warrant is exercisable to acquire one common share of the Company (the "Common Shares") at a price of $1.75 per Common Share for a period of one year from date of the A&R Promissory Note. In connection with the Extension and issuance of the Warrants, the 119,229 common share purchase warrants previously issued to the Lender in connection with the initial issuance of the promissory note have been cancelled concurrently with the Extension. The Warrants and any Common Shares issuable on exercise of the Warrants are subject to a statutory four-month hold period under applicable Canadian securities laws from the date of issue.

On April 13, 2023, the Company extended to October 16, 2023 the expiry date of a total of 643,299 common share purchase warrants of the Company (collectively, the "Subject Warrants"), which were scheduled to expire on April 16, 2023. Each of the Subject Warrants entitles the holder thereof to purchase one common share of the Company at a price of $1.75 per share (on a post-consolidation basis). Other than the extension of the Subject Warrants from April 16, 2023 to October 16, 2023, all other terms and conditions of the Subject Warrants remain unchanged.