



## **CONSOLIDATED FINANCIAL STATEMENTS**

***For the year ended December 31, 2020***

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

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## **MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING**

The consolidated financial statements, and the notes thereto, of North American Nickel Inc., and its subsidiary have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). 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 fulfils its financial reporting responsibilities.

The consolidated financial statements have been audited by Dale Matheson Carr-Hilton LaBonte LLP, Chartered Professional Accountants, Licensed Public Accountants, who were appointed by the shareholders to examine the consolidated financial statements and provide an independent auditor's opinion thereon. The auditor's report outlines the scope of their examination and their opinion on the consolidated financial statements. Dale Matheson Carr-Hilton LaBonte LLP has full and free access to the Board of Directors.

**"signed"**  
**Keith Morrison**  
**President and Chief Executive Officer**

**"signed"**  
**Sarah Zhu**  
**Chief Financial Officer**

April 23, 2021



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## Report of Independent Registered Public Accounting Firm

To the shareholders and the board of directors of North American Nickel Inc.

### Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of North American Nickel Inc. (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of comprehensive loss, changes in equity and cash flows, for the years ended December 31, 2020, 2019 and 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has not generated revenues since inception, has incurred losses in developing its business, and further losses are anticipated. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in this regard are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. 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 audits 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 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 in accordance with the standards of the PCAOB. As part of our audits 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 in accordance with the standards of the PCAOB.

Our audits included performing procedures to assess the risks of material misstatement of the 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 financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and (that): (1) relates to accounts or disclosures that are material to the 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 financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Critical Audit Matter	How the Matter was Addressed in the Audit
<p data-bbox="203 296 691 317">Valuation of exploration and evaluation assets</p> <p data-bbox="203 338 756 359">Refer to Note 6 – Exploration and Evaluation Assets</p> <p data-bbox="203 380 797 705">The principal considerations for our determination that performing procedures relating to the valuation of the exploration and evaluation asset is a critical audit matter is due to the high degree of judgment management made to assess whether indicators of impairment exist on the Company’s exploration and evaluation assets, specifically, related to the Company’s ability and intention to continue to explore the exploration and evaluation assets. As a result, a high degree of auditor effort was involved when performing procedures to evaluate whether management appropriately identified impairment indicators.</p>	<p data-bbox="824 296 1235 317">The matter was addressed as follows -</p> <ul data-bbox="873 338 1421 879" style="list-style-type: none"> <li data-bbox="873 338 1421 422">• Obtained an understanding of key controls associated with evaluating exploration and evaluation assets for indicators of impairment.</li> <li data-bbox="873 443 1421 569">• Assessed management’s conclusions and internal and external factors that may be considered indicators of impairment and compared these to management’s assessment of impairment.</li> <li data-bbox="873 590 1421 705">• Assessed the Company’s right to perform exploration activities on its exploration and evaluation assets, including that the rights are in good standing.</li> <li data-bbox="873 726 1421 800">• Evaluated the Company’s ability and intent of significant exploration activity on its exploration and evaluation assets.</li> <li data-bbox="873 821 1421 879">• Evaluated the associated disclosures in the consolidated financial statements.</li> </ul>

DMCL

**DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS**

We have served as the Company’s auditor since 2005  
Vancouver, Canada  
April 23, 2021



An independent firm  
associated with Moore  
Global Network Limited



**Consolidated Statements of Financial Position**  
*(Expressed in thousands of Canadian dollars)*

	Notes	December 31, 2020	December 31, 2019
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash		308	1,098
Receivables and other current assets	4	59	161
Due from related party	9	55	95
<b>TOTAL CURRENT ASSETS</b>		<b>422</b>	<b>1,354</b>
<b>NON-CURRENT ASSETS</b>			
Equipment	5	21	28
Exploration and evaluation assets	6	39,103	38,633
Advance	9	50	24
Investment	9,10	48	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>39,222</b>	<b>38,685</b>
<b>TOTAL ASSETS</b>		<b>39,644</b>	<b>40,039</b>
<b>LIABILITIES</b>			
Trade payables and accrued liabilities	7, 10	362	519
Flow-through share premium	8	-	89
Provision for restoration obligation	6, 12	267	-
<b>TOTAL LIABILITIES</b>		<b>629</b>	<b>608</b>
<b>EQUITY</b>			
Share capital - preferred	8	591	591
Share capital – common	8	89,627	89,006
Reserve	8	2,096	4,175
Deficit		(53,299)	(54,341)
<b>TOTAL EQUITY</b>		<b>39,015</b>	<b>39,431</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>39,644</b>	<b>40,039</b>

Nature of Operations (Note 1)  
 Commitments (Note 6 and 11)  
 Subsequent Events (Note 18)

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

Approved by the Board of Directors on April 23, 2021

“signed”

Keith Morrison  
 Director

“signed”

Doug Ford  
 Audit Committee Chair



## Consolidated Statements of Comprehensive Loss

(Expressed in thousands of Canadian dollars)

	Notes	Year ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
<b>EXPENSES</b>				
General and administrative expenses	9, 10, 17	(1,238)	(2,145)	(2,340)
Property investigation		(47)	(214)	(216)
Amortization	5	(7)	(12)	(14)
Share-based payments	8	(969)	-	(317)
		<b>(2,261)</b>	<b>(2,371)</b>	<b>(2,887)</b>
<b>OTHER ITEMS</b>				
Interest income		-	26	74
Reversal of flow-through share premium	8	89	-	-
Impairment of exploration and evaluation assets	6	(438)	(26,510)	-
Foreign exchange loss		(1)	(4)	(209)
Equity loss on investment	9	(130)	-	-
		<b>(480)</b>	<b>(26,488)</b>	<b>(135)</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(2,741)</b>	<b>(28,859)</b>	<b>(3,022)</b>
<b>Basic and diluted weighted average number of common shares outstanding</b>		<b>96,521,169</b>	<b>79,152,786</b>	<b>71,824,814</b>
<b>Basic and diluted loss per share</b>		<b>(0.03)</b>	<b>(0.36)</b>	<b>(0.04)</b>

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



## Consolidated Statements of Changes in Equity

(Expressed in thousands of Canadian dollars)

	Notes	Number of Shares	Share Capital	Preferred Stock	Reserve	Deficit	Total Equity
<b>BALANCE AT DECEMBER 31, 2017</b>		<b>55,459,527</b>	<b>73,598</b>	<b>591</b>	<b>5,089</b>	<b>(26,550)</b>	<b>52,728</b>
Net and comprehensive loss		-	-	-	-	(3,022)	(3,022)
Share capital issued through private placement	8	23,333,333	17,500	-	-	-	17,500
Share issue costs	8	-	(579)	-	-	-	(579)
Value allocated to warrants	8	-	(2,572)	-	2,572	-	-
Expired warrants	8	-	-	-	(48)	48	-
Forfeited/expired options	8	-	-	-	(181)	181	-
Share-based payments	8	-	-	-	317	-	317
<b>BALANCE DECEMBER 31, 2018</b>		<b>78,792,860</b>	<b>87,947</b>	<b>591</b>	<b>7,749</b>	<b>(29,343)</b>	<b>66,944</b>
Net and comprehensive loss		-	-	-	-	(28,859)	(28,859)
Share capital issued through private placement	8	9,597,931	1,728	-	-	-	1,728
Share issue costs	8	-	(344)	-	-	-	(344)
Flow-through share premium	8	-	(89)	-	-	-	(89)
Share capital issued as earn-in	8	300,000	51	-	-	-	51
Value allocated to warrants	8	-	(287)	-	287	-	-
Expired warrants	8	-	-	-	(2,080)	2,080	-
Forfeited/expired options	8	-	-	-	(1,781)	1,781	-
<b>BALANCE AT DECEMBER 31, 2019</b>		<b>88,690,791</b>	<b>89,006</b>	<b>591</b>	<b>4,175</b>	<b>(54,341)</b>	<b>39,431</b>
Net and comprehensive loss		-	-	-	-	(2,741)	(2,741)
Share capital issued through private placement	8	21,142,857	1,480	-	-	-	1,480
Share issue costs	8	-	(124)	-	-	-	(124)
Value allocated to warrants	8	-	(735)	-	735	-	-
Expired warrants	8	-	-	-	(2,572)	2,572	-
Share-based payments	8	-	-	-	969	-	969
Forfeited/expired options	8	-	-	-	(1,211)	1,211	-
<b>BALANCE AT DECEMBER 31, 2020</b>		<b>109,833,648</b>	<b>89,627</b>	<b>591</b>	<b>2,096</b>	<b>(53,299)</b>	<b>39,015</b>

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



**Consolidated Statements of Cash Flows**  
*(Expressed in thousands of Canadian dollars)*

	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
<b>OPERATING ACTIVITIES</b>			
Loss for the year	(2,741)	(28,859)	(3,022)
Items not affecting cash:			
Amortization	7	12	14
Share-based payments	969	-	317
Interest income	-	(26)	(74)
Reversal of flow-through share premium	(89)	-	-
Impairment of exploration and evaluation assets	438	26,510	-
Equity loss on investment	130	-	-
Changes in working capital	(46)	11	21
Other:			
Interest received	-	36	80
<b>Net cash used in operating activities</b>	<b>(1,332)</b>	<b>(2,316)</b>	<b>(2,664)</b>
<b>INVESTING ACTIVITIES</b>			
Expenditures on exploration and evaluation assets	(635)	(780)	(14,566)
Short-term investments	-	2,500	-
Investment	(121)	-	-
Advance	(50)	(24)	-
Purchase of equipment	-	(5)	-
<b>Net cash provided by (used in) investing activities</b>	<b>(806)</b>	<b>1,691</b>	<b>(14,566)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of common shares	1,472	1,728	17,500
Share issuance costs	(124)	(344)	(329)
<b>Net cash provided by financing activities</b>	<b>1,348</b>	<b>1,384</b>	<b>17,171</b>
Change in cash for the year	(790)	759	(59)
Cash, beginning of the year	1,098	339	398
<b>Cash, end of the year</b>	<b>308</b>	<b>1,098</b>	<b>339</b>

Supplemental cash flow information (Note 10)

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



**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2020

*(Expressed in Canadian dollars)***1. NATURE AND CONTINUANCE OF OPERATIONS**

North American Nickel Inc. (the "Company") was incorporated on September 23, 1983, under the laws of the Province of British Columbia, Canada. The primary mailing office is located at 3400 – 100 King Street West, PO Box 130, Toronto, Ontario, M5X 1A4 and the records office of the Company is located at 666 Burrard Street, Suite 2500, Vancouver BC V6C 2X8. The Company's common shares trade on the TSX Venture Exchange ("TSXV") under the symbol "NAN".

The Company's principal business activity is the exploration and development of mineral properties in Greenland and Canada, as well as in Botswana through its participation in Premium Nickel Resources. The Company has not yet determined whether any of these properties contain ore reserves that are economically recoverable. The recoverability of carrying amounts shown for exploration and evaluation assets is dependent upon a number of factors including environmental risk, legal and political risk, the existence of economically recoverable mineral reserves, confirmation of the Company's interests in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete exploration and development, and to attain sufficient net cash flow from future profitable production or disposition proceeds.

These 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 raise additional capital. 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. These uncertainties cast substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The exploration and evaluation properties in which the Company currently has an interest are in the 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 coronavirus COVID-19 declared as a global pandemic in March 2020 continued throughout the 2020 year and to date. This contagious disease outbreak, which continues to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The Company is closely monitoring the impact of the pandemic on all aspects of its business but anticipates that COVID-19 may impact the Company's ability to conduct fieldwork on projects.

The consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on April 23, 2021. The discussion in notes to the financial statements is stated in Canadian dollars except amounts in tables are expressed in thousands of Canadian dollars.

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES***(a) Statement of Compliance*

The Company's consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS").

*(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 financial statements

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2020

*(Expressed in Canadian dollars)*

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.

Effective October 4, 2019, the Company completed a share consolidation of the Company's issued and outstanding common shares whereby for every ten (10) pre-consolidation common shares issued and outstanding, one (1) post-consolidation common share exists without par value.

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 10-for-1 share consolidation as if it occurred at the beginning of the earliest period presented.

*(c) Basis of consolidation*

These financial statements include the financial statements of the Company and its wholly-owned subsidiary, North American Nickel (US) Inc. which was incorporated in the State of Delaware on May 22, 2015.

Consolidation is required when the Company is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

*(d) Foreign currency translation*

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 period-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) Exploration and evaluation assets*

Exploration and evaluation assets include the costs of acquiring licenses, costs associated with exploration and evaluation activity, 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 equipment.

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2020

*(Expressed in Canadian dollars)*

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 statement of comprehensive loss/income.

*(f) Restoration and environmental obligations*

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to exploration and evaluation assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The costs of restoration projects included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

*(g) Impairment of assets*

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets, 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/income.

*(h) Financial instruments*

In accordance with IFRS 9, the Company's accounting policy is as follows:

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2020

*(Expressed in Canadian dollars)*
*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:

<b>Financial asset/ liability</b>	<b>Classification</b>
Cash	FVTPL
Other receivable	Amortized cost
Trade payables	Amortized cost

*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 which 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 entity. 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.

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2020

*(Expressed in Canadian dollars)**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.

*(i) 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.

*(j) Income taxes*

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

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 income or equity is recognized in other comprehensive income 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 provided 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.

*Flow-through shares*

Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability ("flow-through tax liability"). Upon renunciation by the Company of the tax benefits associated with the related expenditures, a flow-through share premium liability is recognized and the liability will be reversed as eligible expenditures are made. If such expenditures are capitalized, a deferred tax liability is recognized. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability.

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2020

*(Expressed in Canadian dollars)**(k) 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 treasury and the amount reflected in share-based payments reserve is credited to share capital along with any consideration paid.

*(l) Share capital*

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

Incremental costs directly attributable to the issue of new shares 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.

*(m) Flow-through shares*

Resource expenditure deductions for income tax purposes related to exploratory activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the period is disclosed separately as flow-through share proceeds, if any.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financing expense until qualifying expenditures are incurred.

*(n) Equipment*

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

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2020

*(Expressed in Canadian dollars)*

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 statement of comprehensive income 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 and amortization are 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 and amortization rate applicable to each category of equipment is as follows:

<b>Equipment</b>	<b>Depreciation rate</b>
Exploration equipment	20%
Computer software	50%
Computer equipment	55%

*(o) Equity investment*

Investments in entities over which the Company has a significant influence, but not control, are accounted for by the equity method, whereby the original cost of the investment is adjusted for the Company's proportionate share of the investee's income or loss. When the Company's equity investee issues its own shares to outside interest, a dilution gain or loss arises as a result of the difference between the Company's proportionate share of the proceeds and the carrying value of the underlying equity. When net accumulated losses from an equity accounted investment exceed its carrying amount, the investment balance is reduced to zero and additional losses are not provided for unless the Company is committed to provide financial support to the investee.

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

Certain accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

**IAS 16 - "Property, Plant and Equipment"**

The IASB issued an amendment to IAS 16, Property, Plant and Equipment to prohibit the deducting from property, plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and its related costs must be recognized in profit or loss. The amendment will require companies to distinguish between costs associated with producing and selling items before the item of property, plant and equipment is available for use and costs associated with making the item of property, plant and equipment available for its intended use. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The amendment is not currently applicable.

**IAS 1 - "Presentation of Financial Statements"**

The IASB issued an amendment to IAS 1, Presentation of Financial Statements to clarify one of the requirements under the standard for classifying a liability as non-current in nature, specifically the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendment includes: (i) specifying that an entity's right to defer settlement must exist at the end of the reporting period; (ii) clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement; (iii) clarifying how lending conditions affect classification; and (iv) clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments. An assessment will be performed prior to the effective date of January 1, 2023 to determine the impact to the Company's financial statements.

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2020

*(Expressed in Canadian dollars)***3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that can affect reported amounts of assets, liabilities revenues 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

*(a) Recoverability of Exploration and Evaluation Assets*

The ultimate recoverability of the exploration and evaluation assets of \$39,103,319 carrying value at December 31, 2020, is dependent upon the Company's ability to obtain the necessary financing and permits to complete the 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. During the year ended December 31, 2020, the Company recorded an impairment of its Greenland exploration and evaluation asset of \$Nil (December 31, 2019 - \$26,499,159).

*(b) 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 restoration obligations at December 31, 2020 of \$267,000 (December 31, 2019 - \$Nil) related to its Greenland exploration and evaluation asset.

*(c) Valuation of Share-Based Compensation*

The Company estimates the fair value of convertible securities such as 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. The accounting policies in Note 2(k) and Note 8 of the financial statements contain further details of significant assumptions applied to these areas of estimation.

*(d) Going Concern*

Financial statements are prepared on a going concern basis unless management either intends to liquidate the Company or to cease trading, 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.



**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2020

*(Expressed in Canadian dollars)*
*(e) Equity investment*

Management determines its ability to exercise significant influence over an investee by looking at its percentage interest and other qualitative factors including but not limited to its voting rights, representation on the board of directors, participation in policymaking processes, material transactions between the Company and the investee, interchange of managerial personnel, provision of essential technical information and operating involvement.

At December 31, 2020, the Company's percentage holding in its private investee was less than 20%, with significant influence over the private investee and has used the equity method of accounting for this investment.

**4. RECEIVABLES AND OTHER CURRENT ASSETS**

A summary of the receivables and other current assets as of December 31, 2020 is detailed in the table below:

*(All amounts in table are expressed in thousands of Canadian dollars)*

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Sales taxes receivable	23	62
Other current assets (prepaid expenses and amounts receivable)	36	99
	<b>59</b>	<b>161</b>

**5. EQUIPMENT**

The table below sets out costs and accumulated depreciation as at December 31, 2020 and 2019:

	<b>Exploration Equipment</b>	<b>Computer Equipment</b>	<b>Computer Software</b>	<b>Total</b>
<b>Cost</b>				
<b>Balance – December 31, 2018, 2019 and 2020</b>	<b>67</b>	<b>15</b>	<b>136</b>	<b>218</b>
<b>Accumulated Amortization</b>				
<b>Balance – December 31, 2018</b>	<b>43</b>	<b>9</b>	<b>126</b>	<b>178</b>
Amortization	5	3	4	12
<b>Balance – December 31, 2019</b>	<b>48</b>	<b>12</b>	<b>130</b>	<b>190</b>
Amortization	4	1	2	7
<b>Balance – December 31, 2020</b>	<b>52</b>	<b>13</b>	<b>132</b>	<b>197</b>
<b>Carrying Amount</b>				
As at December 31, 2019	19	3	6	28
<b>As at December 31, 2020</b>	<b>15</b>	<b>2</b>	<b>4</b>	<b>21</b>

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2020

*(Expressed in Canadian dollars)*
**6. EXPLORATION AND EVALUATION ASSETS**
*(All amounts in table are expressed in thousands of Canadian dollars)*

	Canada				Lingman Lake	US	Greenland	Total
	Post Creek Property	Halcyon Property	Quetico Claims	Loveland Nickel (Enid Creek)		Section 35 Property	Maniitsoq Property	
<b>Acquisition</b>								
Balance, December 31, 2018	288	222	42	-	-	8	42	602
Acquisition costs	10	8	-	83	14	3	-	118
Balance, December 31, 2019	298	230	42	83	14	11	42	720
Acquisition costs – cash	10	8	-	-	-	-	4	22
Impairment	-	-	-	(83)	-	-	-	(83)
Balance, December 31, 2020	308	238	42	-	14	11	46	659
<b>Exploration</b>								
Balance, December 31, 2018	1,431	209	22	-	-	-	62,215	63,877
Administration	1	1	-	-	-	-	12	14
Corporate social responsibility	2	1	-	-	-	-	-	3
Property maintenance	7	7	-	-	-	-	17	31
Drilling	32	-	12	15	5	-	197	261
Environmental, health and safety	-	-	-	-	-	-	8	8
Geology	24	14	1	15	6	-	140	200
Geophysics	1	1	4	3	2	-	28	39
Helicopter charter aircraft (recovery)	-	-	-	-	-	-	(21)	(21)
Infrastructure	-	-	-	-	-	-	11	11
Impairment	-	-	-	-	-	(11)	(26,499)	(26,510)
	67	24	17	33	13	(11)	(26,107)	(25,964)
Balance, December 31, 2019	1,498	233	39	33	13	(11)	36,108	37,913
Administration	2	1	-	-	-	-	9	12
Drilling	-	-	5	167	-	-	43	215
Geology	21	13	69	83	-	-	56	242
Geophysics	2	-	28	72	-	-	3	105
Helicopter charter aircraft	-	-	-	-	-	-	8	8
Property maintenance	6	5	1	-	-	-	25	37
Camp site cleanup	-	-	-	-	-	-	267	267
Impairment	-	-	-	(355)	-	-	-	(355)
	31	19	103	(33)	-	-	411	531
Balance, December 31, 2020	1,529	252	142	-	13	-	36,519	38,445
<b>Total, December 31, 2019</b>	<b>1,796</b>	<b>463</b>	<b>81</b>	<b>116</b>	<b>27</b>	<b>-</b>	<b>36,150</b>	<b>38,633</b>
<b>Total, December 31, 2020</b>	<b>1,837</b>	<b>490</b>	<b>184</b>	<b>-</b>	<b>27</b>	<b>-</b>	<b>36,565</b>	<b>39,103</b>

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2020

*(Expressed in Canadian dollars)*

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

**Post Creek**

On December 23, 2009 and as last amended on March 12, 2013, the Company completed the required consideration and acquired the rights to a mineral claim known as the Post Creek Property located within the Sudbury Mining District of Ontario.

Commencing August 1, 2015, the Company is obligated to pay advances on net smelter return royalties ("NSR") of \$10,000 per annum. The Company paid the required \$10,000 during the year ended December 31, 2020 (December 31, 2019 - \$10,000). The total of the advances will be deducted from any payments to be made under the NSR.

During the year ended December 31, 2020, the Company incurred exploration expenditures totalling \$31,004 (December 31, 2019 - \$66,877) on the Post Creek Property.

**Halcyon**

On December 31, 2015, the Company completed the required consideration of the option agreement and acquired rights to a mineral claim known as the Halcyon Property located within the Sudbury Mining District of Ontario, subject to certain NSR and advance royalty payments.

Commencing August 1, 2015, the Company is obligated to pay advances on the NSR of \$8,000 per annum. The Company paid the required \$8,000 during the year ended December 31, 2020 (December 31, 2019 - \$8,000). The total of the advances will be deducted from any payments to be made under the NSR.

During the year ended December 31, 2020, the Company incurred \$27,317 (December 31, 2019 - \$23,367) in acquisition and exploration expenditures on the Halcyon Property.

**Quetico**

On April 26, 2018, the Company acquired the right to certain mineral claims known as Quetico located within the Sudbury Mining District of Ontario. The Company incurred total acquisition and exploration related costs of \$64,256 during the year ended December 31, 2018.

The Company had no minimum required exploration commitment for the years ended December 31, 2020, 2019 and 2018 as it is not required to file any geoscience assessment work between the initial recording of a mining claim and the first anniversary date of the mining claim and claim anniversary dates were adjusted as a result of the COVID-19 pandemic. In April 2020, the Company applied for a one year exclusion under a COVID-19 relief program offered by the Ontario Ministry of Energy, Northern Development and Mines, thus adjusting the claim anniversary dates to April and May of 2021. The COVID-19 relief program was offered again commencing in 2021, and the Company has applied an additional one year exclusion.

By the second anniversary of the recording of a claim and by each anniversary thereafter, a minimum of \$400 worth of exploration activity per claim unit must be reported to the Provincial Recording Office. The Company could maintain mining claims by filing an Application to Distribute Banked Assessment Work Credits form before any due date. Payments in place of reporting assessment work may also be used to meet yearly assessment work requirements, provided the payments are not used for the first unit of assessment work and consecutively thereafter. Payments cannot be banked to be carried forward for future use. The total annual work requirement for Quetico project after April 26, 2021 is \$324,000 should the Company maintain the current size of the claims. Work reports for 2020 expenditures have been filed but have not yet been approved.

During the year ended December 31, 2020, the Company incurred \$102,715 (December 31, 2019 - \$18,175) in exploration and license related expenditures on the Quetico Property.

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2020

*(Expressed in Canadian dollars)***Loveland Nickel (Enid Creek) Property**

On September 25, 2019, the Company entered into earn in agreement to acquire a 100% interest, subject to a 1% NSR, in certain claims known as the Loveland Nickel (Enid Creek) Property located in Timmins, Ontario. Consideration included acquisition costs of \$1,525,000 in cash and the issuance of 300,000 common shares. During the year ended December 31, 2019, the Company paid \$25,000 and issued 300,000 common shares at a fair value of \$51,000. Exploration expenditures of \$4,500,000 were to be incurred over a period ending September 25, 2024.

As of December 31, 2020, the Company incurred an aggregate exploration and acquisition expenditures of \$437,897. Based on the results of the exploration program completed in April 2020, the management elected not to proceed with further exploration on the property and terminated the agreement. Accordingly, all acquisition and exploration related costs were impaired as at December 31, 2020, totalling \$437,897.

**Lingman Lake Property**

During the year ended December 31, 2019, the Company staked certain mineral claims known as Lingman Lake located northwest of Thunder Bay, Ontario. The Company incurred total acquisition and related costs of \$Nil (December 31, 2019 - \$27,376) during the year ended December 31, 2020.

**Section 35 Property**

On January 4, 2016, the Company entered into a 10-year Metallic Minerals Lease (the "Lease") with the Michigan Department of Natural Resources for an area covering approximately 320 acres. The terms of the Lease required annual rental fees.

At the end of the fiscal year 2019, management of the Company made a decision to relinquish the mineral lease. As a result, all cumulative exploration related costs of \$11,393 were written-off as at December 31, 2019. The Company applied and received approval for a refund of a \$13,016 (US \$10,000) reclamation deposit held by the Department of Natural Resources in Michigan. The reclamation deposit was received during the year ended December 31, 2020.

**Maniitsoq**

The Company has been granted certain exploration licenses, by the Bureau of Minerals and Petroleum ("BMP") of Greenland for exclusive exploration rights of an area comprising the Maniitsoq Property, located near Ininngui, Greenland. The Maniitsoq Property is subject to a 2.5% 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.

During the year ended December 31, 2020, the Company spent in aggregate of \$148,007 in acquisition and exploration expenditures on the Maniitsoq Property, which is comprised of the Sulussugut, Ininngui, Carbonatite and 2020/05 Licenses.

During the year ended December 31, 2020, the Company has recorded a \$267,000 provision for camp site cleanup and restoration obligations. The cost accrued is based on the current best estimate of restoration activities that will be required on the Maniitsoq Property. The Company's provision for future cleanup is based on the level of known disturbance at the reporting date and known requirements. It is not currently possible to estimate the impact on operating results, if any, and the actual amount of any economic outflow related to this obligation is dependent upon future events and cannot be reliably measured. The Company is expected to fulfil the obligation during the next 12 months.

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2020

*(Expressed in Canadian dollars)*

IFRS 6 requires management to assess the exploration and evaluation assets for impairment. Accordingly, at December 31, 2019, management believed that facts and circumstances existed to suggest that the carrying amount of the Maniitsoq Property exceeded its recoverable amount. As a result, management determined the Maniitsoq Property should be impaired by \$26,499,159 and its recoverable amount was \$36,149,667 at the end of December 31, 2019. No facts or circumstances existed at December 31, 2020 to suggest further impairment on the Maniitsoq property. The valuation was based on historical drilling results and management's future exploration plans on the Maniitsoq Property. The Company intends to plan and budget for further exploration on the Maniitsoq Property in the future.

Further details on the licenses comprising the Maniitsoq Property and related expenditures are outlined below:

***Sulussugut License (2011/54)****(All references to amounts in Danish Kroners, "DKK")*

Effective August 15, 2011, the Company was granted an exploration license (the "Sulussugut License") by the BMP of Greenland for exclusive exploration rights of an area located near Sulussugut, Greenland. The Company paid a license fee of \$5,742 (DKK 31,400) upon granting of the Sulussugut License. The application for another 5-year term on the Sulussugut License was submitted to the Greenland Mineral License & Safety Authority which was effective on April 11, 2016, with December 31, 2017 being the seventh year. During the year ended December 31, 2016, the Company paid a license fee of \$7,982 (DKK 40,400) which provided for renewal of the Sulussugut License until 2020.

During the year ended December 31, 2020, the Company received one year period license extension, which provides for renewal period until 2021.

To December 31, 2015, under the terms of a preliminary license, the Company completed the exploration requirements of an estimated minimum of DKK 83,809,340 (approximately \$15,808,386) between the years ended December 31, 2011 to 2015 by incurring \$26,115,831 on the Sulussugut License. Under the terms of the second license period, there was no required minimum exploration expenditures for the year ended December 31, 2019. As of December 31, 2020, the Company has spent \$56,262,968 on exploration costs for the Sulussugut License.

The Company had no minimum required exploration commitment for the year ended December 31, 2020 and available credits of DKK 283,945,553 (approximately \$58,776,729) at the end of December 31, 2020. During the year ended December 31, 2020, the Company had approved exploration expenditures of DKK 865,100 (approximately \$179,076). The credits available from each year may be carried forward for 3 years plus 1 year extension and expire between December 31, 2021 to December 2024. The Company has no exploration commitment for 2021 year.

During the year ended December 31, 2020, the Company spent a total of \$117,756 (December 31, 2019 - \$228,925) in exploration and license related expenditures on the Sulussugut License.

To December 31, 2020 and 2019, the Company has completed all obligations with respect to required reduction of the area of the license.

***Ininngui License (2012/28)***

Effective March 4, 2012, the Company was granted an exploration license (the "Ininngui License") by the BMP of Greenland for exclusive exploration rights of an area located near Ininngui, Greenland. The Company paid a license fee of \$5,755 (DKK 32,200) upon granting of the Ininngui License. The Ininngui License was valid for an initial 5 years until December 31, 2016, with December 31, 2012 being the first year. The license was extended for a further 5 years, until December 31, 2021, with December 31, 2017 being the first year. During the year ended December 31, 2020, the Company received one year period license extension, which provides for renewal period until 2022.

The Ininngui License is contiguous with the Sulussugut License.

Should the Company not incur the minimum exploration expenditures on the license in any one year from years 2-5, the Company may pay 50% of the difference in cash to BMP as full compensation for that year. This procedure may

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2020

*(Expressed in Canadian dollars)*

not be used for more than 2 consecutive calendar years and as at December 31, 2020, the Company has not used the procedure for the license.

The Company had no minimum required exploration commitment for the year ended December 31, 2020. As of December 31, 2020, the Company has spent \$5,199,578 on exploration costs for the Ininngui License and exceeded the minimum requirement with a total cumulative surplus credits of DKK 30,424,551 (approximately \$6,297,882). The credits available from each year may be carried forward for 3 years plus 1 year extension and expire between December 31, 2021 to December 2024. The Company has no exploration commitment for 2021 year.

During the year ended December 31, 2020, the Company spent a total of \$19,424 in exploration and license related expenditures (December 31, 2019 - \$37,537).

***Carbonatite License (2018/21)***

Effective May 4, 2018, the Company was granted an exploration license (the "Carbonatite License") by the BMP of Greenland for exclusive exploration rights of an area located near Maniitsoq in West Greenland. The Company paid a license fee of \$6,523 (DKK 31,000) upon granting of the Carbonatite License. The Carbonatite License is valid for 5 years until December 31, 2022, with December 31, 2020 being the third year. During the year ended December 31, 2020, the Company received one year period license extension, which provides for renewal period until 2023.

The Company has no minimum required exploration obligation for the year ended December 31, 2020. As of December 31, 2020, the Company has spent \$1,504,317 on exploration costs for the Carbonatite License. To December 31, 2020, the Company's expenditures exceeded the minimum requirement and the Company has a total surplus credit of DKK 10,544,473 (approximately \$2,182,706). The credit available from each year may be carried forward 3 years plus 1 year extension and expire between December 31, 2022 to December 2024. The Company has no exploration commitment for 2021 year.

During the year ended December 31, 2020, the Company spent a total of \$6,527 in exploration and license related expenditures (December 31, 2019 - \$123,981).

***Ikertoq License***

During the year ended December 31, 2018, the Company was granted an exploration license, (the "Ikertoq License") by the BMP of Greenland and spent total of \$132,679 in exploration and license related expenditures. The license was later relinquished and the costs were expensed as at December 31, 2018.

***West Greenland Prospecting License (2020/05)***

On February 18, 2020, the Company was granted new prospective license No. 2020/05, by the BMP of Greenland for a period of 5 years ending December 31, 2024. The Company paid a granting fee of \$4,301 (DKK 21,900). There were no exploration related costs incurred during the year ended December 31, 2020.

**7. TRADE PAYABLES AND ACCRUED LIABILITIES**
*(All amounts in table are expressed in thousands of Canadian dollars)*

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Trade payables	290	310
Amounts due to related parties (Note 10)	28	169
Accrued liabilities	44	40
	<b>362</b>	<b>519</b>

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2020

*(Expressed in Canadian dollars)***8. 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.

## a) Common shares issued and outstanding

Effective October 4, 2019, the Company completed a share consolidation of the Company's issued and outstanding common shares whereby for every ten (10) pre-consolidation common shares issued and outstanding, one (1) post-consolidation common share exists without par value. All references to share capital, warrants, options and weighted average number of shares outstanding have been adjusted retrospectively to reflect the Company's 10-for-1 share consolidation as if it occurred at the beginning of the earliest period presented. As at December 31, 2020, the Company has 109,833,648 common shares issued and outstanding, (December 31, 2019 – 88,690,791) (December 31, 2018 – 78,792,860).

**2020**

On August 13, 2020, the Company closed the first tranche of its non-brokered private placement equity financing consisting of 15,481,077 units of the Company at a price of \$0.07 per unit, for aggregate gross proceeds of \$1,083,675. On August 31, 2020, the Company closed the second and final tranche of its non-brokered private placement equity financing consisting of 5,661,780 units of the Company at a price of \$0.07 per unit, for aggregate gross proceeds of \$396,325. Each unit consists of one common share in the capital of the Company and one transferable common share purchase warrant of the Company. Each warrant will entitle the holder to acquire one common share of the Company at an exercise price of \$0.09 for a period of 24 months from its date of issuance. The warrants are subject to an acceleration clause such that if the closing market price of the common shares on the TSX-V is greater than \$0.12 per common share for a period of 10 consecutive trading days at any time after the four-month anniversary of the closing of the placement, the Company may, at its option, accelerate the warrant expiry date to within 30 days.

In connection with the non-brokered private financing, the Company incurred total share issuance costs of \$124,222. The Company issued and aggregate of 588,154 common share purchase warrants. Each warrant will entitle the holder to acquire one common share of the Company at an exercise price of \$0.09 for a period of 24 months from its date of issuance.

The Company allocated a \$716,055 fair value to the warrants issued in conjunction with the private placement and \$18,547 to agent's warrants. The fair value of warrants was determined using the Black-Scholes Option Pricing Model with the following assumptions; expected life of 2 years, expected dividend yield of 0%, a risk-free interest rate of 0.28% to 0.31% range and an expected volatility of 158% to 158.53% range.

**2019**

On October 24, 2019 the TSXV approved the filing of the earn in agreement for the Loveland Nickel Property. As a result, on December 9, 2019, the Company issued 300,000 common shares at fair value of \$51,000 (note 6).

On December 18, 2019, the Company closed a non-brokered private placement equity financing of 7,373,265 units at a price of \$0.18 and 2,224,666 flow-through common shares at a price of \$0.18 and raised aggregate gross proceeds of \$1,727,628. Each unit issued consisted of one common share in the capital of the Company and one-half of one common share purchase warrant. Each warrant will entitle the holder to acquire one common share of the Company at an exercise price of \$0.25 for a period of 24 months from its date of issuance. All Securities issued pursuant to this offering were subject to a hold period which expired on April 19, 2020. The Company incurred total share issuance costs of \$343,639. The Company allocated a \$265,217 fair value to the warrants issued in conjunction with the private placement and \$21,445 to 298,099 agent's warrants. The fair value of warrants was determined using the Black-Scholes Option Pricing Model with the following assumptions; expected life of 2 years, expected dividend yield of 0%, a risk-free interest rate of 1.73% and an expected volatility of 147.26%.

On issuance, the Company bifurcated the flow-through shares into i) a flow-through share premium of \$88,987 that investors paid for the flow-through feature, which is recognized as a liability and; ii) share capital of \$311,453.

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2020

*(Expressed in Canadian dollars)*

To December 31, 2020, the Company expended \$400,440 (December 31, 2019 – \$Nil) in eligible exploration expenditures and, accordingly, the flow-through liability was reduced to \$Nil.

**2018**

On April 19, 2018, the Company closed a non-brokered private placement equity financing of 23,333,333 units at a price of \$0.75 per unit and raised aggregate gross proceeds of \$17,500,000. Each unit consists of one common share and one-half of one common share purchase warrant of the Company. Each warrant will entitle the holder to acquire one common share of the Company at an exercise price of \$1.20 for a period of 24 months from its date of issuance. The Company incurred total share issuance costs of \$578,800, of which \$250,000 was recorded in trade payables at December 31, 2018. The Company allocated a \$2,571,514 fair value to the warrants issued in conjunction with the private placement. The fair value of warrants was determined using the Black-Scholes Option Pricing Model with the following assumptions; expected life of 2 years, expected dividend yield of 0%, a risk-free interest rate of 1.91% and an expected volatility of 94.26%.

**b) Preferred shares issued and outstanding**

As at December 31, 2020, December 31, 2019 and December 31, 2018, there are 590,931 series 1 preferred shares outstanding.

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

- i) dividends shall be paid at the discretion of the directors;
- 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 6 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 the preferred shares is to be determined by dividing the conversion value of the share, \$1 per share, by \$9.00.

**c) Warrants**

A summary of common share purchase warrants activity during the years ended December 31, 2020, December 31, 2019 and December 31, 2018 is as follows:

	<b>December 31, 2020</b>		<b>December 31, 2019</b>		<b>December 31, 2018</b>	
	<b>Number Outstanding</b>	<b>Weighted Average Exercise Price (\$)</b>	<b>Number Outstanding</b>	<b>Weighted Average Exercise Price (\$)</b>	<b>Number Outstanding</b>	<b>Weighted Average Exercise Price (\$)</b>
Outstanding, beginning of year	15,651,397	0.96	25,797,283	1.20	17,617,541	1.20
Issued	21,731,011	0.09	3,984,731	0.25	11,666,666	1.20
Cancelled / expired	(11,666,666)	1.20	(14,130,617)	1.20	(3,486,924)	1.20
Outstanding, end of year	25,715,742	0.11	15,651,397	0.96	25,797,283	1.20



**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2020

(Expressed in Canadian dollars)

At December 31, 2020, 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)
3,984,731	December 18, 2021	0.25	0.15
16,045,231 <sup>1</sup>	August 13, 2022	0.09	1.01
5,685,780 <sup>1</sup>	August 31, 2022	0.09	0.37
25,715,742			1.53

<sup>1</sup> The warrants are subject to an acceleration clause such that if the volume-weighted average trading price of the Company's common shares on the TSX-V exceeds \$0.12 per common share for a period of 10 consecutive trading days at any date before the expiration date of such warrants, the Company may, at its option, accelerate the warrant expiry date to within 30 days. To December 31, 2020, the Company's common shares have met the criterion for acceleration. The Company, however, has not accelerated the warrant expiry date.

## 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 10% of the issued and outstanding common stock of the Company. Under the Plan, the exercise price of each option equals the market price or a discounted price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 10 years.

A summary of option activity under the Plan during the years ended December 31, 2020, December 31, 2019 and December 31, 2018 is as follows:

	December 31, 2020		December 31, 2019		December 31, 2018	
	Number Outstanding	Weighted Average Exercise Price (\$)	Number Outstanding	Weighted Average Exercise Price (\$)	Number Outstanding	Weighted Average Exercise Price (\$)
Outstanding, beginning of year	2,130,550	1.51	2,594,550	1.80	2,072,050	2.30
Issued	7,850,000	0.15	-	-	642,500	1.20
Cancelled / expired	(2,001,825)	1.51	(464,000)	4.23	(120,000)	1.80
Outstanding, end of year	7,978,725	0.17	2,130,550	1.51	2,594,550	1.80

During the year ended December 31, 2020, the Company granted an aggregate total of 7,850,000 stock options to employees, directors and consultants with a maximum term of 5 years. All options vest immediately and are exercisable as to 6,650,000 options at \$0.16 per share and 1,200,000 options at \$0.09 per share. The Company calculates the fair value of all stock options using the Black-Scholes Option Pricing Model. The fair value of options granted during the year ended December 31, 2020 amounted to \$969,391 and was recorded as a share-based payment expense.

There were no incentive stock options granted during the year ended December 31, 2019.

During the year ended December 31, 2018, the Company granted 642,500 incentive stock options to employees, directors and consultants with a maximum term of 5 years. All stock options vest immediately and are exercisable at \$1.20 per common share. The Company calculates the fair value of all stock options using the Black-Scholes Option Pricing Model. The fair value of options granted during the year ended December 31, 2018 amounted to \$317,332 and was recorded as a share-based payments expense.

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2020

*(Expressed in Canadian dollars)*

The fair value of stock options granted and vested during the years ended December 31, 2020, 2019 and 2018 was calculated using the following assumptions:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Expected dividend yield	0%	-	0%
Expected share price volatility	121.5% - 125%	-	96.9% - 101%
Risk free interest rate	0.39% - 1.21%	-	2.04% - 2.17%
Expected life of options	5 years	-	5 years

Details of options outstanding as at December 31, 2020 are as follows:

<b>Options Outstanding</b>	<b>Options Exercisable</b>	<b>Expiry Date</b>	<b>Exercise Price (\$)</b>	<b>Weighted average remaining contractual life (years)</b>
53,100	53,100	January 28, 2021 *	2.10	0.00
40,625	40,625	February 21, 2022	1.20	0.01
35,000	35,000	February 28, 2023	1.20	0.01
6,650,000	6,650,000	February 24, 2025	0.16	3.46
1,200,000	1,200,000	August 19, 2025	0.09	0.70
<u>7,978,725</u>	<u>7,978,725</u>			<u>4.18</u>

*\*Subsequently expired, unexercised.*

e) 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, 2020, the Company transferred \$3,782,706 (December 31, 2019 - \$3,860,656) (December 31, 2018 - \$229,381) to deficit for expired options and warrants.

During the year ended December 31, 2020, the Company recorded \$969,391 of share-based payments to reserves. There were no share-based payments during the year ended December 31, 2019. During the year ended December 31, 2018, the Company recorded \$317,332 of share-based payments to reserves.

## 9. INVESTMENT IN PREMIUM NICKEL RESOURCES INC.

On September 30, 2019, the Company entered into a Memorandum of Understanding ("MOU") with Premium Nickel Resources Inc. ("Premium Nickel"). Pursuant to the MOU, the Company and Premium Nickel set forth their interests in negotiating and acquiring the business and assets of BCL Limited, a private company with operations in Botswana that is currently in liquidation.

Concurrent with the MOU, the Company initially subscribed for 2,400,000 common shares of Premium Nickel at \$0.01, for a total investment of \$24,000. The Company's initial investment included a provision that gives the Company the right to nominate two directors to the board of directors of Premium Nickel. The Company's initial investment also included Premium Nickel issuing the Company a non-transferable share purchase warrant (the "Warrant"), which entitles the Company to purchase common shares of Premium Nickel, for up to 15% of the capital of Premium Nickel upon payment of US \$10 million prior to the fifth anniversary of the date of issue. At December 31, 2019, the Company's investment was recorded as an advance, as the Company had not yet been issued the common share certificate nor the Warrant. The initial investment common share certificate and Warrant were issued during the year ended December 31, 2020.

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2020

*(Expressed in Canadian dollars)*

To December 31, 2020, the Company subscribed for a further 4,657,711 common shares of Premium Nickel, for a further investment of \$154,164. The common shares underlying the investment are restricted ("Restricted") from being traded before such date that is 4 months after the later of (a) the date of issuance and (b) the date at which Premium Nickel becomes a reporting issuer in any province or territory. To December 31, 2020 and subsequently, the underlying common shares are Restricted. To December 31, 2020, the Company's total investment constitutes a 11.01% holding (December 31, 2019 – 9.64%) in Premium Nickel.

As December 31, 2020, the Company had representation on the board, participate in the policy-making process, material transactions between the Company and Premium Nickel, interchange of managerial personnel, provision of essential technical information and operating involvement. Accordingly, the Company determined that it has significant influence in Premium Nickel and has used equity accounting of the investment. Premium Nickel's financial information at December 31, 2020 was net assets of \$32,445 which was comprised primarily of cash, and a total comprehensive loss of \$1,227,998 was recorded for the year ended December 31, 2020.

Details of the Company's investment at December 31, 2020 is as follows:

	<u>Investment</u>
Balance, December 31, 2018 and 2019	-
Reallocation of advance	24
Investment	154
Share of loss of Premium Nickel	<u>(130)</u>
Total	<u>48</u>

On January 1, 2020, the Company entered into a Management and Technical Services Agreement ("the Services Agreement") with Premium Nickel whereby the Company will provide certain technical, corporate, administrative and clerical, office and other services to Premium Nickel during the due diligence stage of the contemplated arrangement. The Company will charge Premium Nickel for expenses incurred and has the right to charge a 2% administrative fee on third party expenses. The Company will invoice Premium Nickel on a monthly basis and payment shall be made by Premium Nickel no later than 15 days after receipt of such invoice. The term of the Service Agreement is for an initial period of 3 years and can be renewed for an additional 1 year period. The Service Agreement can be terminated within 30 days notice, for non-performance, by the Company giving 6 months notice or Premium Nickel within 90 days provided the Company no longer owns at least 10% of the outstanding common shares of Premium Nickel. If Premium Nickel defaults on making payments, the outstanding balance shall be treated as a loan to Premium Nickel, to be evidenced by a promissory note. The promissory note will be payable upon demand and bear interest at a rate equal to the then current lending rate plus 1%, calculated from the date of default. Subsequent payment by Premium Nickel will be first applied to accrued interest and then principle of the invoice. During the year ended December 31, 2020, pursuant to the Services Agreement, the Company charged Premium Nickel \$647,164 (December 31, 2019 - \$95,415) for services and charged \$8,495 in administrative fees, received \$701,305 (December 31, 2019 – \$Nil) and recorded \$54,619 in due from Premium Nickel (December 31, 2019 - \$95,415). During the year ended December 31, 2020, \$33,735 (December 31, 2019 - \$Nil) of the Company's additional investment was offset from previously outstanding amounts due from Premium Nickel. Subsequent to December 31, 2020, the Company received the \$54,619 in full from Premium Nickel.

At December 31, 2020, \$50,000 has been classified as an advance as Premium Nickel has not yet issued the common share certificate. Subsequent to December 31, 2020, the Company paid an additional \$50,400 and was issued the common share certificate representing its additional investment (Note 18).

**10. RELATED PARTY TRANSACTIONS**

The following amounts due to related parties are included in trade payables and accrued liabilities (Note 7):

*(All amounts in table are expressed in thousands of Canadian dollars)*

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2020

*(Expressed in Canadian dollars)*

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Directors and officers of the Company	21	38
Related company	7	131
Total	<u>28</u>	<u>169</u>

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

The following amount due from related party and advance represent as well as investment in Premium Nickel a private company incorporated in Ontario, in which certain directors and officers of the Company also hold offices and minority investments.

*(All amounts in table are expressed in thousands of Canadian dollars)*

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Due from related party	55	95
Advance	50	24
Investment	48	-
Total	<u>153</u>	<u>119</u>

## (a) Related party transactions

**2020**

Sentient Executive GP IV Limited ("Sentient") and Contemporary Amperex Technology Limited ("CATL") have historically subscribed to private placements of the Company.

As of December 31, 2020, Sentient beneficially owns 36,980,982 common shares, constituting approximately 33.66% of the currently issued and outstanding common shares of the Company.

As of December 31, 2020, CATL beneficially owns 22,944,444 common shares, constituting approximately 20.89% of the currently issued and outstanding shares of the Company. CATL has pre-emptive rights and the right to nominate one director to the board of directors of the Company.

During the year ended December 31, 2020, the Company recorded \$171,952 (2019 - \$370,127), (2018 - \$174,224) in fees charged by a legal firm in which the Company's former chairman is a consultant.

**2019**

As of December 31, 2019, Sentient beneficially owns 36,980,982 common shares, constituting approximately 41.70% of the currently issued and outstanding common shares of the Company.

On December 18, 2019, CATL subscribed for a total of 2,944,444 units under a bought deal private placement financing transaction described in Note 9 for a total net proceeds of \$530,000. As part of the subscription, CATL was granted 1,472,222 common share purchase warrants exercisable at \$0.25 until December 18, 2021. As of December 31, 2019, CATL beneficially owns 22,944,444 common shares, constituting approximately 25.87% of the currently issued and outstanding shares of the Company. CATL has pre-emptive rights and the right to nominate one director to the board of directors of the Company.

During the year ended December 31, 2019, the Company recorded \$370,127 (2018 - \$174,224), (2017 - \$244,285) in fees charged by a legal firm in which the Company's former chairman is a consultant.

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2020

*(Expressed in Canadian dollars)*
**2018**

As of December 31, 2018, Sentient beneficially owns 36,980,982 common shares, constituting approximately 46.93% of the currently issued and outstanding common shares of the Company.

As of December 31, 2018, CATL beneficially owns 19,997,628 common shares, constituting approximately 25.38% of the currently issued and outstanding shares of the Company. CATL has pre-emptive rights and the right to nominate one director to the board of directors of the Company.

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

Key management compensation was:

*(All amounts in table are expressed in thousands of Canadian dollars)*

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Geological consulting fees – expensed	5	136	104
Geological consulting fees – capitalized	-	-	18
Management fees – expensed	478	747	747
Salaries - expensed	182	185	181
Share-based payments	756	-	192
<b>Total</b>	<b>1,421</b>	<b>1,068</b>	<b>1,242</b>

**11. SUPPLEMENTAL CASH FLOW INFORMATION**

Changes in working capital for the year ended December 31, 2020 and 2019 are as follows:

*(All amounts in table are expressed in thousands of Canadian dollars)*

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Decrease (increase) in accounts receivables	102	(126)	84
Decrease in prepaid expenses	7	3	19
Increase (decrease) in trade payables and accrued liabilities	(155)	134	(82)
<b>Total changes in working capital</b>	<b>(46)</b>	<b>11</b>	<b>21</b>

During the year ended December 31, 2020, the Company:

- i) transferred \$3,782,706 from reserve to deficit;
- ii) recorded \$6,506 as the net change for accrued exploration and evaluation expenditures;
- iii) recorded \$267,000 as a provision for restoration obligation;
- iv) reclassified \$24,000 from advance to investment;
- v) offset \$33,735 from due to related party to investment; and
- vi) offset \$7,500 in trade payables to proceeds from issuance of common stock.

During the year ended December 31, 2019, the Company:

- i) transferred \$3,860,656 from reserve to deficit;
- ii) recorded \$171,444 as the net change for accrued exploration and evaluation expenditures;
- iii) paid \$51,000 as non-cash consideration for exploration and evaluation expenditures; and
- iv) recorded \$88,987 of flow-through share premium liability.

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2020

*(Expressed in Canadian dollars)*

During the year ended December 31, 2018, the Company:

- i) transferred \$229,381 from reserve to deficit;
- ii) recorded \$250,000 of share issuance costs in trade payables; and
- iii) recorded \$186,304 in accrued exploration and evaluation expenditures.

**12. COMMITMENTS AND CONTINGENCIES**

The Company has certain commitments to meet the minimum expenditures requirements on its exploration and evaluation assets. Further, the Company has a site restoration obligation with respect to its Greenland exploration and evaluation asset.

Effective July 1, 2014, the Company had changes to management and entered into the following agreements for services with directors of the Company and a company in which a director has an interest:

- i) Directors' fees: \$2,000 stipend per month for independent directors and \$3,000 stipend per month for the chairman of the board, and \$2,500 for committee chairmen.
- ii) Management fees: \$30,951 per month effective June 2018 up to December 31, 2019 and \$19,106 per month effective January 1, 2020.

Effectively on June 1, 2018, the Company changed the terms with Keith Morrison, the CEO, from direct employment to contracted consultant and entered into a service agreement with his company.

Each of the agreements shall be continuous and may only be terminated by mutual agreement of the parties, subject to the provisions that in the event there is a change of effective control of the Company, the party shall have the right to terminate the agreement, within sixty days from the date of such change of effective control, upon written notice to the Company. Within thirty days from the date of delivery of such notice, the Company shall forward to the party the amount of money due and owing to the party hereunder to the extent accrued to the effective date of termination.

**13. 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 rate.

**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.

The Company operates in Canada and Greenland and undertakes transactions denominated in foreign currencies such as United States dollar, Euros and Danish Kroner, 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. The rate published by the Bank of Canada at the close of business on December 31, 2020 was 1.2732 USD to CAD, 1.5608 EUR to CAD and 0.2099 DKK to CAD.

The Company's Canadian dollar equivalent of financial assets and liabilities that are denominated in Danish Kroner consist of accounts payable of \$7,349 (2019 - \$27,879 credit) and \$1,798 in USD currency (2019 - \$3,858).

**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.

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2020

*(Expressed in Canadian dollars)*
**Price Risk**

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. To mitigate price risk, the Company closely monitors commodity prices of precious metals and the stock market to determine the appropriate course of action to be taken by the Company.

**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 needs 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, 2020:

*(All amounts in table are expressed in thousands of Canadian dollars)*

<b>As at December 31, 2020</b>	<b>Less than 1 year</b>	<b>1 - 2 years</b>	<b>2 - 5 years</b>	<b>Total</b>
Trade payables and accrued liabilities	362	-	-	362
	<b>362</b>	<b>-</b>	<b>-</b>	<b>362</b>

**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 carry out the Company's exploration program and 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, loans and borrowings, other current liabilities, net of cash.

*(All amounts in table are expressed in thousands of Canadian dollars)*

	<b>As at December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Equity	39,015	39,431	66,944
Current liabilities	629	608	556
	39,644	40,039	67,500
Cash	(308)	(1,098)	(339)
Short-term investments	-	-	(2,500)
	<b>39,336</b>	<b>38,941</b>	<b>64,661</b>

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2020

*(Expressed in Canadian dollars)*
**14. FINANCIAL INSTRUMENTS**

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

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices that are observable either directly or indirectly

Level 3 – Inputs that are not based on observable market data

Cash is measured using level 1 inputs and Investment is measured using level 3 inputs.

**15. SEGMENTED INFORMATION**

The Company operates in one reportable operating segment being that of the acquisition, exploration and development of mineral properties in two geographic segments being Canada and Greenland (note 7). The Company's geographic segments are as follows:

*(All amounts in table are expressed in thousands of Canadian dollars)*

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Equipment		
Canada	6	9
Greenland	15	19
<b>Total</b>	<b>21</b>	<b>28</b>
	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Exploration and evaluation assets		
Canada	2,538	2,483
Greenland	36,565	36,150
<b>Total</b>	<b>39,103</b>	<b>38,633</b>

**16. INCOME TAXES**

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

*(All amounts in tables are expressed in thousands of Canadian dollars)*

	<b>Year ended December 31, 2020</b>	<b>Year ended December 31, 2019</b>
Net loss	\$ (2,741)	\$ (28,859)
Statutory tax rate	27%	27%
Expected income tax recovery at the statutory tax rate	(740)	(7,792)
Permanent differences and other	222	7,063
Change in valuation allowance	518	729
Net deferred income tax recovery	\$ -	\$ -

The significant components of the Company's deferred income tax assets and liabilities are as follows:



**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2020

*(Expressed in Canadian dollars)*

	<b>Year ended December 31, 2020</b>	<b>Year ended December 31, 2019</b>
Exploration and evaluation assets	\$ 7,198	\$ 7,058
Loss carry-forwards	4,878	4,433
Share issuance costs	175	279
Cumulative eligible capital	34	34
Investment	35	-
Equipment	102	100
	<u>12,422</u>	<u>11,904</u>
Valuation allowance	(12,422)	(11,904)
Net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

The tax pools relating to these deductible temporary differences expire as follows:

	Canadian non-capital losses	Canadian net-capital losses	Canadian resource pools	Canadian share issue costs
2021	\$ -	\$ -	\$ -	\$ 319
2022	-	-	-	209
2023	-	-	-	93
2024	-	-	-	25
2030	696	-	-	-
2031	517	-	-	-
2032	645	-	-	-
2033	847	-	-	-
2034	1,484	-	-	-
2035	2,141	-	-	-
2036	2,213	-	-	-
2037	2,637	-	-	-
2038	2,656	-	-	-
2039	2,583	-	-	-
2040	1,592	-	-	-
No expiry	-	57	65,775	-
	<u>\$ 16,462</u>	<u>\$ 57</u>	<u>\$ 65,775</u>	<u>646</u>

**17. GENERAL AND ADMINISTRATIVE EXPENSES**

Details of the general and administrative expenses by nature are presented in the following table:

*(All amounts in table are expressed in thousands of Canadian dollars)*

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Consulting fees	194	286	373
Filing fees	43	94	79
General office expenses	74	220	352
Investor relations	54	32	187
Management fees	467	745	733
Professional fees	158	182	142
Salaries and benefits	248	586	474
<b>Total</b>	<u><b>1,238</b></u>	<u><b>2,145</b></u>	<u><b>2,340</b></u>

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2020

*(Expressed in Canadian dollars)***18. SUBSEQUENT EVENTS**

On January 7, 2021, the Company announced that it has received notification from the Greenland government that surplus assessment credits from exploration conducted on the Company's exclusive mineral exploration licenses located on the southwest coast of Greenland have been extended by one year. Mineral licenses that received one credit extension include exploration license 2011/54, exploration license 2012/28 and exploration license 2018/21.

On January 14, 2021, the Company invested a further \$50,400 towards the acquisition of common shares of Premium Nickel. A share certificate for 251,000 common shares was issued to the Company on March 23, 2021, representing the Company's \$100,400 investment, of which \$50,000 was recorded in advances at December 31, 2020 (Note 9).

On February 25, 2021, the Company granted incentive stock options to certain directors, officers, employees and consultants of the Company to purchase up to 3,185,000 common shares in the capital of the Company pursuant to the Company's Plan. All of the options are exercisable for a period of 5 years at an exercise price of \$0.32 per share.

Subsequent to December 31, 2020, the Company received \$665,135 in proceeds from the exercise of warrants.

On April 20, the Company closed a non-brokered private placement consisting of an aggregate of 8,290,665 units of the Company (the "Units") at a price of \$0.24 per unit, for aggregate gross proceeds of \$1,989,759.60. Each unit consists of one common share in the capital of the Company and one half transferable common share purchase warrant ("Warrant") of the Company. Each full Warrant entitles the holder to acquire one common share of the Company within twenty-four (24) months following its issuance date, at a price of \$0.35. The warrants are subject to an acceleration clause such that if the closing market price of the common shares on the TSX-V is greater than \$0.60 per common share for a period of 10 consecutive trading days at any time after the four-month anniversary of the closing of the placement, the Company may, at its option, accelerate the warrant expiry date to within 30 days.

In connection with the private placement, the Company has paid eligible finders (the "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 \$57,189.62, and (ii) a number of common share purchase warrants (the "Finder Warrants") equal to 6% of the units attributable to the Finders under the private placement, being an aggregate of 238,289 Finder Warrants. Each Finder Warrant entitles the Finder to acquire one common share of the Company for a period of twenty-four (24) months following its issuance date, at an exercise price of \$0.35.