NICKEL 28 CAPITAL CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THIRTEEN MONTHS ENDED JANUARY 31, 2022
AND THE TWELVE MONTHS ENDED DECEMBER 31, 2020

(EXPRESSED IN UNITED STATES DOLLARS)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Nickel 28 Capital Corp.:

Opinion

We have audited the consolidated financial statements of Nickel 28 Capital Corp. and its subsidiaries (together the "Company"), which comprise the consolidated statements of financial position as at January 31, 2022 and December 31, 2020, and the consolidated statements of net and comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the thirteen months ended January 31, 2022 and the year ended December 31, 2020 and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at January 31, 2022 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the thirteen months ended January 31, 2022 and the year ended December 31, 2020, in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion & Analysis filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Anna C. Moreton.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.
May 31, 2022

NICKEL 28 CAPITAL CORP.
Consolidated Statements of Financial Position
(Expressed in United States Dollars, unless otherwise indicated)

	As at January 31, 2022 (Note 2)	As at December 31, 2020
Assets		
Current Assets		
Cash and cash equivalents (Note 5)	**$ 3,961,614**	$ 6,373,796
Amounts receivable and other assets (Note 6)	**3,705,622**	15,600,663
Marketable securities (Note 7)	**114,003**	141,376
	7,781,239	22,115,835
Non-Current Assets		
Investment in Ramu Nickel Mine (Note 8)	**126,789,429**	128,524,144
Royalty contracts (Note 9)	**25,495,893**	25,495,893
Right-of-use assets (Note 10)	**23,165**	48,245
Property, plant and equipment	**37,060**	38,537
Total Assets	**$ 160,126,786**	$ 176,222,654
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 318,680**	$ 67,583
Lease liability (Note 10)	**24,987**	35,000
Non-recourse debt (Note 11)	**12,861,000**	15,415,419
	13,204,667	15,518,002
Non-Current Liabilities		
Lease liability (Note 10)	**-**	16,338
Non-recourse debt (Note 11)	**60,537,024**	91,638,008
Share award liability	**28,134**	3,759
Deferred tax liabilities	**2,738,835**	-
Total Liabilities	**76,508,660**	107,176,107
Shareholders' Equity		
Share capital (Note 12)	**69,149,540**	66,440,479
Reserves	**1,071,486**	383,513
Retained earnings	**13,397,100**	2,222,555
Total Shareholders' Equity	**83,618,126**	69,046,547
Total Liabilities and Shareholders' Equity	**$ 160,126,786**	$ 176,222,654

Subsequent Event (Note 21)

Approved on behalf of the Board:

"Justin Cochrane", Director

"Anthony Milewski", Director

The accompanying notes are an integral part of these consolidated financial statements.

NICKEL 28 CAPITAL CORP.
Consolidated Statements of Net and Comprehensive Income
(Expressed in United States Dollars, unless otherwise indicated)

	Thirteen Months Ended January 31, 2022 (Note 2)	Twelve Months Ended December 31, 2020
Operating Expenses		
Consulting fees	**$ -**	$ 8,676
Exploration costs	**-**	183,000
General and administrative	**664,790**	632,981
Salaries and fees	**3,513,068**	1,779,678
Marketing and promotion	**808,830**	254,655
Professional fees	**928,678**	259,876
Regulatory fees	**50,160**	43,074
Share based compensation (Notes 13(a) and (b))	**2,975,941**	666,639
Change in share award liability (Note 13(c))	**287,862**	3,759
Operating Loss	**(9,229,329)**	(3,832,338)
Other Income (Expenses)		
Interest income	**68,297**	18,621
Impairment of royalty contracts (Note 9)	**-**	(571,081)
Carbon offset	**(57,750)**	-
Share of operating profit from Ramu Nickel Mine (Note 8(ii))	**27,475,384**	7,727,871
Unrealized gain (loss) on marketable securities	**(27,373)**	310,178
Realized gain on marketable securities (Note 7)	**-**	3,899,757
Financing costs (Note 8(iv))	**(4,324,512)**	(5,368,261)
Foreign exchange gain	**11,663**	377,665
Loss before income taxes	**13,916,380**	2,562,412
Deferred tax expense (Note 18)	**(2,741,835)**	-
Net and Comprehensive Income for the Period	**$ 11,174,545**	$ 2,562,412
Basic Income per Share	**$ 0.13**	$ 0.03
Diluted Income Per Share	**$ 0.13**	$ 0.03
Weighted Average Number of Common Shares Outstanding - Basic	**86,682,848**	83,598,931
Weighted Average Number of Common Shares Outstanding - Diluted	**87,211,173**	83,598,931

The accompanying notes are an integral part of these consolidated financial statements.

NICKEL 28 CAPITAL CORP.
Consolidated Statements of Cash Flows
(Expressed in United States Dollars, unless otherwise indicated)

	Thirteen Months Ended January 31, 2022 (Note 2)	Twelve Months Ended December 31, 2020
Operating Activities		
Net income for the period	**$ 11,174,545**	$ 2,562,412
Adjustments for:		
Impairment of royalty contracts	**-**	571,081
Share of operating profit from Ramu Nickel Mine	**(27,475,384)**	(7,727,871)
Unrealized loss (gain) on marketable securities	**27,373**	(310,178)
Realized gain on marketable securities	**-**	(3,899,757)
Share based compensation (Notes 13(a) and (b))	**2,975,941**	666,639
Change in share award liability (Note 13(c))	**287,862**	3,759
Deferred tax expense	**2,741,835**	-
Financing costs	**4,324,512**	5,368,261
Other	**46,720**	54,815
Non-cash working capital items:		
Amounts receivable and other assets	**(57,330)**	(56,685)
Accounts payable and accrued liabilities	**251,097**	(406,970)
Net Cash and Cash Equivalents Used in Operating Activities	**(5,702,829)**	(3,174,494)
Investing Activities		
Cash distributions from Ramu Nickel Mine	**3,183,137**	-
Purchase of property, plant and equipment	**(3,465)**	-
Proceeds from the sale of marketable securities (Note 7)	**-**	5,179,892
Net Cash and Cash Equivalents Provided by Investing Activities	**3,179,672**	5,179,892
Financing Activities		
Common shares issued for cash (Note 12(b))	**1,071,935**	-
Repayment of lease liabilities	**(46,632)**	(46,898)
Repurchase of shares	**(383,556)**	-
Cash settlement of restricted share units	**(267,285)**	(23,045)
Cash settlement of share award	**(263,487)**	-
Net Cash and Cash Equivalents Provided by (Used in) Financing Activities	**110,975**	(69,943)
Net change in Cash and Cash Equivalents	**(2,412,182)**	1,935,455
Cash and Cash Equivalents, Beginning of Period	**6,373,796**	4,438,341
Cash and Cash Equivalents, End of Period	**$ 3,961,614**	$ 6,373,796

Supplemental Information

Interest paid	**$ -**	$ -
Income taxes paid	**$ -**	$ -
Repayment of non-recourse debt through deemed distributions	**$ 37,979,915**	$ 22,057,591

NICKEL 28 CAPITAL CORP.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in United States Dollars, unless otherwise indicated)

	Share Capital			Retained earnings	
	Number	**Amount**	**Reserves**	**(Deficit)**	**Total**
Balance, December 31, 2019	**83,465,472**	**$ 66,076,942**	**$ 103,456**	**$ (339,857)**	**$ 65,840,541**
Restricted Share Units converted to common shares (Note 12(b)(ii))	1,436,372	363,537	(363,537)	-	-
Share based compensation (Note 13(b))	-	-	643,594	-	643,594
Net income for the period	-	-	-	2,562,412	2,562,412
Balance, December 31, 2020	**84,901,844**	**66,440,479**	**383,513**	**2,222,555**	**69,046,547**
Issuance of common shares on exercise of options (Note 12(b)(i))	3,150,000	1,158,180	(86,245)	-	1,071,935
Restricted Share Units converted to common shares (Note 12(b)(ii))	3,002,801	1,934,437	(1,934,437)	-	-
Share repurchase (Note 12(b)(iii))	(502,500)	(383,556)	-	-	(383,556)
Share based compensation (Notes 13(b) and (c))	-	-	2,708,655	-	2,708,655
Net income for the period	-	-	-	11,174,545	11,174,545
Balance, January 31, 2022 (Note 2)	**90,552,145**	**$ 69,149,540**	**$ 1,071,486**	**$ 13,397,100**	**$ 83,618,126**

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of Operations

Nickel 28 Capital Corp. (the “Company” or "Nickel 28") was incorporated pursuant to the *Business Corporations Act* (British Columbia) on June 25, 2019 as "Nickel 28 Capital Corp." and changed its name to "Conic Metals Corp." on October 21, 2019 and then back to "Nickel 28 Capital Corp." on March 10, 2021. The head office is located at 4 King Street West, Suite 401, Toronto, Ontario, Canada. The registered office of the Company is 666 Burrard Street, Suite 1700, Vancouver, British Columbia, Canada.

The Company is a base metals company offering direct exposure to nickel and cobalt. Nickel 28 holds an 8.56% joint-venture interest in the producing, long-life Ramu Nickel-Cobalt Operation located in Papua New Guinea. In addition, Nickel 28 manages a portfolio of nickel and cobalt royalties on development and exploration projects in Canada, Australia and Papua New Guinea.

These consolidated financial statements of the Company for the thirteen months ended January 31, 2022 were approved and authorized for issue by the Board of Directors on May 30, 2022.

Commencing in March 2020, the outbreak of the novel strain of coronavirus known as “Covid19” has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. In addition, at the Company’s joint-venture Ramu mine, MCC Ramu NiCo Limited has implemented several measures to limit the potential spread of Covid19. The duration and impact of the Covid19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

2. Basis of Presentation

Statement of compliance

These consolidated financial statements (the “financial statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

Basis of presentation

These financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Change of financial year-end

The Company decided to change its financial year-end to January 31 to better synchronize its financial reporting with that of the Company’s interest in the Ramu Nickel Mine and to allow time for the Company to prepare these financial statements, the preparation of which relies upon receiving audited financial statements from the Ramu Nickel Mine. As a result, the information contained in these consolidated financial statements may not be comparable to previously reported periods.

2. Basis of Presentation (Continued)

Functional and presentation currency

These financial statements are presented in United States dollars, which is the functional and presentation currency of the Company and its subsidiaries.. The Company operates in a mixture of currencies and therefore the determination of functional currency involves certain judgments to determine the primary economic environment in which the Company operates. The Company reconsiders the functional currency if there is a change in events and conditions which determine the primary economic environment in which the Company, or one of its subsidiaries operates.

Foreign currency transactions are translated into the functional currency using exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate in effect at the measurement date. Non-monetary assets and liabilities denominated in foreign currencies are translated using the historical exchange rate or the exchange rate in effect at the measurement date for items recognized at fair value through profit and loss. Gains and losses arising from foreign exchange are included in profit or loss.

3. Significant Accounting Policies

(a) Basis of consolidation

These financial statements include the accounts of Nickel 28 and its wholly-owned subsidiaries:

Subsidiaries	% Shareholding	Class of Share	Country of incorporation
Highlands Pacific Limited ("Highlands")	100	Ordinary	Papua New Guinea
Ramu Nickel Limited	100	Ordinary	Papua New Guinea
Highlands Pacific Australia Pty Limited	100	Ordinary	Australia
Highlands Pacific Services Limited	100	Ordinary	Papua New Guinea
Electric Metals Streaming Corp.	100	Ordinary	Canada

Subsidiaries are entities which the Company controls, either directly or indirectly, where control is defined as power over the investee, exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and they are deconsolidated from the date on which control ceases. All intercompany transactions and balances have been eliminated upon consolidation.

Highlands, Ramu Nickel Limited, Highlands Pacific Australia Pty Limited and Highlands Pacific Services Limited have fiscal year-ends of December 31. Adjustments for material transactions between December 31, 2021 and January 31, 2022 have been made to adjust for the non-coterminous year-ends.

(b) Royalty contracts

Royalty contracts consist of acquired royalty interests in advanced / development and exploration stage properties. These interests are recorded at cost and capitalized as tangible assets with finite lives. They are subsequently measured at cost less accumulated depletion and accumulated impairment losses, if any. The cost of royalty interests in advanced / development assets are determined and capitalized by reference to the cost model under IAS 16 Property, plant and equipment (“IAS 16”). Royalty contracts for advanced / development assets, are interests on projects that are not yet producing, but where in management’s view, the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Royalty contracts for exploration stage assets are interests on projects where the technical feasibility and commercial viability of extracting a mineral resource are not yet demonstrable and are determined and capitalized in accordance with IFRS 6 Exploration for and evaluation of mineral resources (“IFRS 6”). Project evaluation costs that are not related to a specific agreement are expensed in the period incurred.

3. Significant Accounting Policies (Continued)

(b) Royalty contracts (continued)

Management uses the following criteria in its assessment of technical feasibility and commercial viability:

i. Geology: there is a known mineral deposit which contains mineral reserves or resources.
ii. Accessibility and authorization: there are no significant unresolved issues impacting the accessibility and authorization to develop or mine the mineral deposit, and social, environmental and governmental permits and approvals to develop or mine the mineral deposit appear obtainable.

Producing royalty and other interests will be depleted using the units-of-production method over the life of the property to which the interests relate, which are estimated using available information of proven and probable reserves and the portion of resources expected to be classified as mineral reserves at the mine corresponding to the specific agreement.

The Company uses publicly available statements of reserves and resources for the underlying properties to estimate the life of the property and portion of resources that the Company expects to be converted into reserves.

(c) Property, plant and equipment

The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in profit or loss. Where re-valued assets are sold, the amounts included in fair value and other reserves are transferred to retained earnings (deficit).

Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

The depreciation of property, plant and equipment relating to general operations is calculated on a straight-line basis to write off the cost or re-valued amount of each asset to their residual value over their estimated useful lives as follows:

Plant and equipment	5 - 10 years
Vehicles	3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

3. Significant Accounting Policies (Continued)

(d) Investment in the Ramu Nickel Mine

The Company has an 8.56% interest in a joint venture. The Company does not have joint control in relation to the Ramu Nickel Mine, and it is not a joint operation nor a joint venture as defined by IFRS 11 Joint Arrangements. Management has concluded the Company has significant influence, and accordingly accounts for the investment using the equity method of accounting.

Under the equity method of accounting, the investment is initially recognized at cost and adjusted thereafter to recognize the Company's share of the post acquisition profits or losses of the investee in profit or loss. Dividends received or receivable from joint ventures are recognized as a reduction in the carrying amount of the investment. When the Company's share of losses in an equity accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealized gains on transactions are eliminated to the extent of the interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Company.

(e) Impairment of long-lived assets

Advanced / development royalty interests are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Impairment is assessed at the level of cash-generating units ("CGUs") which, in accordance with IAS 36 Impairment of Assets ("IAS 36") are identified as the smallest identifiable group of assets that generates cash inflows, which are largely independent of the cash inflows from other assets. This is usually at the individual royalty interest level for each property from which cash inflows are expected to be generated.

An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount, which is the higher of fair value less costs of disposal ("FVLCD") and value-in-use ("VIU"). The future cash flow expected is derived using estimates of proven and probable reserves, a portion of resources that is expected to be converted into reserves and information regarding the mineral properties that could affect the future recoverability of the Company's interests. Discount factors are determined individually for each asset and reflect their respective risk profiles.

Royalty interests for exploration stage assets are assessed for impairment whenever indicators of impairment exist in accordance with IFRS 6. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount, which is the higher of FVLCD and VIU. An interest that has previously been classified as exploration is also assessed for impairment before reclassification to either advanced or producing, and the impairment loss, if any, is recognized in profit or loss.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as an impairment loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying amount that would have been determined if no impairment had previously been recognized.

(f) Segment reporting

The Company is engaged in the management and acquisition of royalties, and interests in the nickel and cobalt sectors. Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer ("CEO") who fulfills the role of the chief operating decision-maker. The CEO is responsible for allocating resources and assessing performance of the Company's operating segments.

3. Significant Accounting Policies (Continued)

(g) Financial Instruments

Recognition

The Company recognizes a financial asset or financial liability on the consolidated statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is extinguished.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-offs occur when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and measurement

The Company determines the classification of its financial assets at initial recognition. Financial assets are classified according to the following measurement categories:

- those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and
- those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

- amortized cost;
- FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
- FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost or FVOCI are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed in profit or loss.

The Company's marketable securities are classified as financial assets and measured at FVTPL. The Company's cash and cash equivalents, other receivables, amounts receivable from MCC Ramu NiCo Limited and sundry receivables are classified as financial assets and measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial assets, or where appropriate, a shorter period. The amortized cost is reduced by impairment losses.

The Company's accounts payable and accrued liabilities and non-recourse debt do not fall into any of the exemptions and are therefore measured at amortized cost.

3. Significant Accounting Policies (Continued)

(h) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated using the treasury stock method and the "if converted" method, as applicable. The treasury stock method assumes that outstanding share options with an average market price that exceeds the average exercise prices of the options for the period are exercised and the assumed proceeds are used to repurchase shares of the Company at the average market price of the common share for the period.

(i) Revenue from contracts with customers

The Company may generate revenue from contracts with customers under each of its royalty interests. The Company has determined that each unit of a commodity that is delivered to a customer under a royalty interest arrangement is a performance obligation for the delivery of a good that is separate from each other unit of the commodity to be delivered under the same arrangement.

- Royalty

  The Company has nine exploration stage and two advanced / development stage royalty contracts.

  Revenue will be recorded when the commodities received under such arrangements are sold and control over those commodities transfers to the ultimate customer. Control will transfer on the date the commodity under the agreement is credited to the customer account. Revenue from royalty contracts will be measured at the transaction price agreed with the ultimate customer.

(j) Share based compensation

The Company follows the fair value method of accounting for the issuance of stock options and restricted share units ("RSU") granted to officers, employees, directors, advisors and consultants. The grant date fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility of the expected market price of the Company’s common shares and the expected life of the options. The number of stock option awards expected to vest are estimated using a forfeiture rate based on historical experience and future expectations. The fair value of the RSUs is determined by the quoted market price of the Company’s common shares at date of grant. Share based compensation is amortized to profit or loss over the vesting period of the related option or RSU.

At the discretion of the Board of Directors, RSUs may be settled in equity, cash or a combination of both. The fair value of RSUs, which are settled in equity, is recognized as a share based compensation expense with a corresponding increase in reserves, over the vesting period. The fair value of RSUs, when settled in cash, is recognized as a share based compensation expense with a corresponding increase in liabilities, over the vesting period.

The Company uses graded or accelerated amortization which specifies that each vesting tranche must be accounted for as a separate arrangement with a unique fair value measurement. Each vesting tranche is subsequently amortized separately and in parallel from the grant date.

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the estimated fair value. The expected volatility assumption is based on the estimated volatility of comparable public companies. The risk-free interest rate is based on yield curves on the Canadian government zero-coupon bonds or Canadian government treasury bills with a remaining term equal to the options’ expected life.

3. Significant Accounting Policies (Continued)

(k) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years. Deferred taxes provide for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable profit, and differences relating to investments in subsidiaries to the extent the reversal of the temporary difference can be controlled and it is probable it will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply in the year of realization or settlement, which has been enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(l) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain re-measurements of the lease liability. The cost of the right-of-use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs; and if applicable, an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

3. Significant Accounting Policies (Continued)

(l) Leases (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company does not recognize right-of-use assets and lease liabilities for leases of low-value assets and leases with lease terms that are less than 12 months. Lease payments associated with these leases are instead recognized as an expense over the lease term on either a straight-line basis, or another systematic basis if more representative of the pattern of benefit.

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

(m) Uncertainty over Income Tax Treatments ("IFRIC 23")

IFRIC 23 requires the Company to assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings and to exercise judgment in determining whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. The Company also will consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, assuming that the taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

(n) Business Combinations

Business combinations are accounted for using the acquisition method of accounting in which the identifiable assets acquired, liabilities assumed and any non-controlling interest are recognized and measured at their fair value at the date of acquisition. Any excess of the purchase price plus any non-controlling interest over the fair value of the net assets acquired is recognized as goodwill. Any deficiency of the purchase price over the fair value of the net assets acquired is credited to profit or loss as a gain on bargain purchase. Transaction costs associated with a business combination are expensed as incurred.

A business must include, at minimum, an input and a substantive process that together contribute to the ability to create outputs, and assists companies in determining whether an acquisition is a business combination or an acquisition of a group of assets by providing supplemental guidance for assessing whether an acquired process is substantive. For acquisitions that are determined to be acquisitions of assets as opposed to business combinations, the Company allocates the transaction price to the individual identifiable assets acquired and liabilities assumed based on their relative fair values, and no goodwill is recognized. Acquisitions that continue to meet the definition of a business combination are accounted for under the acquisition method.

4. Key Sources of Estimation Uncertainty and Critical Accounting Judgments

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, the areas which require management to make significant judgments, estimates and assumptions in determining carrying amounts are:

Carrying amount of the Ramu Nickel Mine

The Company, on each reporting date, considers whether there is any objective evidence that its net investment in the Ramu Nickel Mine has suffered any impairment as a result of one or more events that have occurred after initial recognition of the net investment and have an impact on the estimated cash flows of the investment that can be reliably estimated. The assessment requires estimates and assumptions such as discount rates, exchange rates, commodity prices, operating costs, capital costs and production rates.

Non-recourse debt

The Company, on each reporting date, reclassifies a portion of its non-recourse debt as current. As the Company's non-recourse debt is to be repaid by Ramu Nickel Limited out of its share of operating surpluses, less ongoing capital expenditure requirements, the amount classified as current represents the expected operating surplus less interest that is expected to be applied to repay the non-recourse debt over the next twelve months. Actual results may vary.

Deferred taxes

The Company recognizes the deferred tax benefit related to tax assets and tax losses to the extent recovery is probable. Assessing the recoverability of deferred income tax assets requires management to make significant estimates of future taxable profit and expected timing of reversals of existing temporary differences. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from tax assets and tax losses.

Impairment of royalty contracts

Assessment of the royalty contracts for indicators of impairment at the end of each reporting period requires the use of judgments, assumptions and estimates when assessing whether there are any indicators that give rise to the requirement to conduct a formal impairment test on the Company's royalty contracts. Indicators which could trigger an impairment test include, but are not limited to, a significant change in operator reserve and resource estimates, industry or economic trends, current or forecast commodity prices, and other relevant operator information with respect to the underlying mineral resource properties.

(Expressed in United States Dollars, unless otherwise indicated)

5. Cash and Cash Equivalents

	As at January 31, 2022	As at December 31, 2020
Cash	$ 3,723,634	$ 6,288,331
Short-term bank deposit	237,980	85,465
	$ 3,961,614	$ 6,373,796

6. Amounts Receivable and Other Assets

	As at January 31, 2022	As at December 31, 2020
Other receivables(1)	$ 3,462,576	$ 15,415,419
Harmonized sales tax receivable	50,630	63,725
Prepaid expenses	81,308	3,634
Sundry receivables	111,108	117,885
	$ 3,705,622	$ 15,600,663

(1) Other receivables represent cash receipts anticipated from MCC Ramu NiCo Limited and/or amounts to be applied against the non-recourse debt to MCC Ramu NiCo Limited. On January 1, 2021, the Company repaid $15,415,419 of the non-recourse debt. Subsequent to January 31, 2022, the Company received a cash distribution of $3,462,576 from MCC Ramu NiCo Limited for its share of the mine's operating surpluses.

7. Marketable Securities

The Company holds 1,000,000 common shares of Minerva Intelligence Inc. ("Minerva"), which were acquired at a cost of $76,581. As at January 31, 2022, the investment in Minerva was valued at $114,003 (December 31, 2020 - $141,376) based on the closing share price.

On September 16, 2020, the Company sold the entire 3,980,000 common shares of Giga Metals Corp. ("Giga") it held at a cost of $1,280,135 for proceeds of $5,179,892 (CAD$6,927,553) resulting in a gain of $3,899,757.

8. Investment in Ramu Nickel Mine

The investment in the Ramu Nickel Mine ("Ramu") consists of an 8.56% joint venture interest in the producing Ramu mine and refinery located near the city of Madang on the north coast of Papua New Guinea. Ramu was financed, constructed and commissioned in 2012, by majority-owner and operator Metallurgical Corporation of China Limited ("MCC").

The 8.56% interest in Ramu is held by the Company through its wholly-owned subsidiary Ramu Nickel Limited. The Company's interest in Ramu will increase to 11.3% at no cost to the Company once Nickel 28's share of the Ramu project debt is repaid to the project manager and joint venture partner MCC (note 11). In addition to this, when the Company's interest increases to 11.3%, the Company will also have the option to purchase an additional 9.25% interest in the Ramu mine at market value, which if exercised, would take the Company's interest to 20.55%.

The Company recorded its share of operating profit of Ramu for the thirteen months based on the most recent financial statements of Ramu (being the December 31, 2021 year-end financial statements), which is within one month of the Company's year-end. Any significant transactions for January 2022 have been adjusted.

(Expressed in United States Dollars, unless otherwise indicated)

8. Investment in Ramu Nickel Mine (Continued)

(i) Continuity of investment in Ramu Nickel Mine

	Thirteen Months Ended January 31, 2022	Twelve Months Ended December 31, 2020
Opening balance	$ 128,524,144	$ 141,061,107
Share of operating profit from Ramu Nickel Mine	27,475,384	7,727,871
Distributions from MCC Ramu NiCo Limited	(29,210,099)	(20,264,834)
Closing balance	**$ 126,789,429**	**$ 128,524,144**

(ii) Interest in Ramu Nickel Mine

	Thirteen Months Ended January 31, 2022	Twelve Months Ended December 31, 2020
Share of revenue	$ 59,456,390	$ 35,447,730
Share of production costs	(20,533,020)	(15,992,568)
Share of other costs	(3,365,331)	(2,428,962)
Depreciation and amortization	(8,082,655)	(8,182,155)
Direct holding costs	-	(1,116,174)
Share of operating profit from Ramu Nickel Mine	**$ 27,475,384**	**$ 7,727,871**

(iii) Sale of Mixed Hydroxide Product ("MHP")

	Thirteen Months Ended January 31, 2022	Twelve Months Ended December 31, 2020
Share of Ramu Nickel Mine's MHP Product (Wet Metric Tonnes)	18,752	16,546
Revenue from Sales of MHP Products	$ 59,456,390	$ 35,447,730

(iv) Non-recourse debt (Note 11)

	Thirteen Months Ended January 31, 2022	Twelve Months Ended December 31, 2020
Opening balance	$ 107,053,427	$ 123,742,757
Interest accrued	4,324,512	5,368,261
Loan repayments	(37,979,915)	(22,057,591)
Closing balance	**$ 73,398,024**	**$ 107,053,427**

(Expressed in United States Dollars, unless otherwise indicated)

8. Investment in Ramu Nickel Mine (Continued)

On initial acquisition, Highlands Pacific Limited recognized a loan balance owing to MCC Ramu NiCo Limited for its 8.56% share of capped development costs plus accumulated interest for monies paid by MCC Ramu NiCo Limited to lenders on behalf of the joint venture parties up to January 1, 2015. This debt is non-recourse to the Company (excluding Ramu Nickel Limited) and is to be repaid by Ramu Nickel Limited out of its share of operating surpluses less ongoing capital expenditure requirements (Note 11).

In assessing the carrying value of its interest in the Ramu Nickel Mine for impairment testing purposes, the Company has adopted a value in use ("VIU") methodology as to the present value of the expected future cash flows before financing from 2022 through to 2032. The calculations use cash flow projections based on financial budgets covering the period from 2022 to 2032.

Key assumptions

The key assumptions and estimates used in determining the VIU are related to commodity prices, discount rates, operating costs, exchange rates and capital expenditures. The following key assumptions were used in impairment and fair value testing:

Assumptions	**2021**	**2020**
Nickel Price (US$/lb)	$7.49 – $9.05	$6.97 – $7.69
Cobalt Price (US$/lb)	$23.01 – $29.01	$17.54 – $20.36
Life of Mine	10 years	11 years
Production Rate	100%	100%
After tax discount rate (Real)	12.0%	10.5%

Sensitivities

Management performed a sensitivity analysis on the commodity price of nickel, which is the key assumption that impacts impairment calculations. While holding all other assumptions constant, a positive 10% movement in the price assumptions range for nickel results in an increase in the present value of future cash flows of approximately $23.5 million, while a negative 10% movement results in a reduction of $27.8 million.

Holding all other assumptions constant, a change in WACC to 11% would result in a decrease in the present value of future cash flows of $7.6 million and change in WACC to 13% would result in an increase of $7.1 million.

Due to the nature of the assumptions and their significance to the assessment of the recoverable amount of the asset relatively modest changes in one or more assumptions could require a material adjustment (negative or positive) to the carrying value of the related non-current asset within the next reporting period. The inter-relationships of the significant assumptions upon which estimated future cash flows are based are such that it is impracticable to disclose the extent of the possible effects of changes in all key assumptions in isolation.

(Expressed in United States Dollars, unless otherwise indicated)

9. Royalty Contracts

A royalty is a payment to a royalty holder by a property owner or an operator of a property and is typically based on a percentage of the minerals or other products produced or the profits or revenue generated from the property. Royalties are not working interests in a property. Therefore, the royalty holder is generally neither responsible for, nor has an obligation to, contribute additional funds for any purpose, including, but not limited to, operating or capital costs, or environmental or reclamation liabilities. Typically, royalty interests are established through a contract between the royalty holder and the property owner. Many jurisdictions permit the holder to also register or otherwise record evidence of a royalty interest in applicable mineral title or land registries.

Common forms of royalties are Net Smelter Return (“NSR”) and Gross Revenue Royalty (“GRR”). NSR is based on the proceeds paid by a smelter or refinery to the miner for the mining production from the property less certain transportation, smelting and refining costs as defined in a royalty agreement. This type of royalty provides cash flow that is free of any operating or capital costs and environmental liabilities. GRR is generally based on the value of the mining production from the property before subsequent treatment charges are incurred. This type of royalty provides cash flow that is free of any treatment charges, operating or capital costs and environmental liabilities.

As of January 31, 2022 and December 31, 2020, the Company's Royalty Contracts consisted of the following:

Royalty Name	Owner	Property Location	Stage	Primary Metal(s), Royalty Type and %	January 31, 2022 Carrying value	December 31, 2020 Carrying value
Dumont Project(1)	Waterton Global Res. Mgmt.	Québec	Advanced / Development	Ni-Co 1.75% NSR	$15,263,086	$15,263,086
Turnagain Project(2)	Giga Metals Corporation	British Columbia	Exploration	Ni-Co 2% NSR	$7,241,392	$7,241,392
Flemington Project(3)	Australian Mines Ltd.	Australia	Exploration	Ni-Co-Sc 1.5% GRR	$1,943,514	$1,943,514
Nyngan Project(4)	Scandium International Mining Corp.	Australia	Advanced / Development	Sc- Ni-Co 1.7% GRR	$971,757	$971,757
North Canol Properties(5)	Golden Ridge Resources Ltd.	Yukon	Exploration	Ag-Pb-Zn-Co 2% Co NSR	$38,072	$38,072
Sunset Mineral Property	Three Individuals	British Columbia	Exploration	Cu-Zn-Co 2% Co NSR	$38,072	$38,072
Star Mountains	Freeport Resources	Papua New Guinea	Exploration	Cu-Au 1% NSR	$nil	nil
Sewa Bay	Pure Minerals	Papua New Guinea	Exploration	Ni-Co 5% FOB GRR	$nil	nil
Professor & Waldman Properties(5)(6)	70% Golden Deeps 30% New Found Gold Corp.	Ontario	Exploration	Co-Ag 2% Co NSR	$nil	$190,357
Triangle Property(6)(7)	New Found Gold Corp.	Ontario	Exploration	Co-Ag 2% Co NSR	$nil	$190,362
Rusty Lake Property(6)	iCobalt Ltd.	Ontario	Exploration	Co-Ag 2% Co NSR	$nil	$190,362
					$25,495,893	$26,066,974
Impairment(6)					nil	(571,081)
Total Royalty Contracts					**$25,495,893**	**$25,495,893**

(Expressed in United States Dollars, unless otherwise indicated)

9. Royalty Contracts (Continued)

(1) The Dumont Nickel-Cobalt Royalty is a life-of-mine 1.75% NSR royalty.
(2) The Turnagain Royalty is a 2.0% NSR royalty on all future metal production from the Turnagain Nickel-Cobalt Project. Under the terms of the royalty agreement, Giga Metals Corporation has a onetime repurchase option to repurchase 0.5% of the 2.0% royalty (resulting in a 1.5% remaining royalty) by paying the Company $20 million in cash on the fifth (5th) anniversary.
(3) The Flemington Royalty is a life-of-mine 1.5% GRR.
(4) The Nyngan Royalty is a life-of-mine 1.7% GRR.
(5) Two separate mineral properties to which a Co NSR applies.
(6) During the year ended December 31, 2020, the Company became aware that the holders of these royalties were no longer conducting exploration and accordingly recorded an impairment of $571,081 against the royalties on the Professor & Waldman, Triangle and Rusty Lake properties.

10. Right-of-Use Assets and Lease Liabilities

(a) Right-of-use assets

	As at January 31, 2022	As at December 31, 2020
Balance, beginning of period	$ 48,245	$ 90,229
New lease additions	17,028	-
Depreciation	(42,108)	(41,984)
Balance, end of period	$ 23,165	$ 48,245

(b) Lease liabilities

	As at January 31, 2022	As at December 31, 2020
Balance, beginning of period	$ 51,338	$ 91,960
New lease additions	17,028	-
Finance costs	3,253	6,276
Repayment of principal	(46,632)	(46,898)
Balance, end of period	24,987	51,338
Less: current liabilities	(24,987)	(35,000)
Non-current liabilities	$ -	$ 16,338
Minimum lease payments		
Not later than 1 year	$ 25,566	$ 38,000
Later than 1 year and not later than 5 years	-	16,000
Total	25,566	54,000
Less: unexpired finance costs	(579)	(2,662)
Balance, end of period	$ 24,987	$ 51,338

(Expressed in United States Dollars, unless otherwise indicated)

11. Non-Recourse Debt

	As at January 31, 2022	As at December 31, 2020
Loan from MCC Ramu NiCo Limited - current	$ 12,861,000	$ 15,415,419
Loan from MCC Ramu NiCo Limited - non-current	60,537,024	91,638,008
	$ 73,398,024	$ 107,053,427

Balance consists of:

	As at January 31, 2022	As at December 31, 2020
Non- recourse operating debt - current	$ -	$ 15,415,419
Non- recourse construction debt - current	12,861,000	-
Non- recourse operating debt - non-current	-	9,968,481
Non- recourse construction debt - non-current	60,537,024	81,669,527
	$ 73,398,024	$ 107,053,427

Non-recourse debt relates to the Company's interest, held in the wholly owned subsidiary Ramu Nickel Limited, in the Ramu Nickel mine and owing to MCC Ramu NiCo Limited. As part of the Joint Venture Agreement with MCC Ramu NiCo Limited, MCC Ramu NiCo Limited was responsible for development and financing of the mine. These borrowings represent the Company's 8.56% share of principal repayments (capped to a specified development threshold of $2.1 billion) and interest repayments made by MCC Ramu NiCo Limited to third party lenders on behalf of the Company, plus any accumulated interest charged by MCC Ramu NiCo Limited. The borrowings are to be repaid out of the Company's share of the Ramu Nickel mine's operating surpluses (sales revenue less operating costs and ongoing capital expenditure requirements).

Effective July 1, 2021, the Company fully repaid its non-recourse operating debt and related interest to MCC Ramu NiCo Limited. Now that the operating debt is repaid, the Company will receive cash proceeds on a bi-annual basis equivalent to 35% of its share of the mine's operating surpluses, with the remaining 65% used to repay the non-recourse construction debt and related interest. Furthermore, once the Company's non-recourse construction debt is repaid, which can be repaid at anytime in its entirety without penalty, the Company's participatory share of the Ramu Nickel Mine will automatically increase from 8.56% to 11.3% and the Company will begin receiving 100% of its share of the mine's operating surpluses on a monthly basis.

The amount classified as current represents the expected operating surplus less interest and less the Company's 35% cash share of operating surplus that is expected to be applied to repay the non-recourse debt over the next twelve months. The borrowings under the construction debt bear an interest rate of 5.05% annually.

During the thirteen months ended January 31, 2022, the Company made repayments on the non-recourse debt of $37,979,915 (twelve months ended December 31, 2020 - $22,057,591) from the Ramu Mine's operating surpluses.

(Expressed in United States Dollars, unless otherwise indicated)

12. Share Capital

(a) Authorized: Unlimited number of common shares without par value.

(b) Common shares issued:

(i) During the thirteen months ended January 31, 2022, 3,150,000 stock options were exercised at an exercise price of CAD$0.43 per share. The fair value of the exercised options totaled $86,245. The weighted average market price at the date of exercise was CAD$0.91.

(ii) During the thirteen months ended January 31, 2022, 3,002,801 RSUs (twelve months ended December 31, 2020 - 1,436,372 RSUs) with a fair value of $1,934,437 (twelve months ended December 31, 2020 - $363,537) were converted into common shares.

(iii) On May 27, 2021, the Company announced a normal course issuer bid ("NCIB") to repurchase its common shares, which was approved by the TSX-V on July 2, 2021. In connection with the NCIB, the Company may repurchase up to 7,478,209 of its outstanding common shares. During the thirteen months ended January 31, 2022, the Company repurchased 502,500 common shares for a total cost of $383,556. As at January 31, 2022, there were 268,000 of these repurchased common shares in treasury.

13. Stock Options, Restricted Share Units and Share Awards

(a) Stock options

On December 16, 2019, the Company adopted a Stock Option Plan, subject to TSX-V and disinterested shareholder approval of the Company's Omnibus Long-term Incentive Plan ("LTIP"). The Company's Omnibus LTIP was approved at the Company's annual general meeting on September 16, 2021. The maximum aggregate number of shares reserved for issuance under the Company's Stock Option Plan, together with the RSU Plan (defined below), shall not exceed a combined total of 10% of the Company's issued and outstanding shares to officers, employees, directors, advisors and consultants. The exercise price is determined by the Board of Directors provided the minimum exercise price is set at the Company's closing share price on the day before the grant date. The options can be granted for a maximum term of ten years and vesting terms are determined by the Board of Directors at the date of grant.

The following table reflects the continuity of stock options for the periods ended January 31, 2022 and December 31, 2020:

	Number of stock options	Weighted average exercise price (CAD$)
Balance, December 31, 2019	**-**	**-**
Granted (i)(ii)	4,190,000	0.43
Balance, December 31, 2020	**4,190,000**	**0.43**
Granted (iii)	1,900,000	0.87
Exercised	(3,150,000)	0.43
Balance, January 31, 2022	**2,940,000**	**0.71**

(Expressed in United States Dollars, unless otherwise indicated)

13. Stock Options, Restricted Share Units and Share Awards (Continued)

(i) On June 19, 2020, a total of 4,090,000 stock options to certain directors, officers, advisors and consultants of the Company vested on approval of the LTIP. The stock options are exercisable at a price of CAD$0.43 per share, expire on December 16, 2024 and vested immediately. The fair value of the stock options was estimated to be $111,981 using the Black-Scholes option pricing model and the following assumptions: exercise price of CAD$0.43, share price of CAD$0.145, risk free interest rate of 0.34%, an expected life of 4.5 years and an expected volatility of 65%. During the thirteen months ended January 31, 2022, 3,150,000 of these stock options were exercised.

(ii) On December 23, 2020, a total of 100,000 stock options were issued to consultants of the Company. The stock options are exercisable at a price of CAD$0.40 per share, expire on December 23, 2025 and vested immediately. The fair value of the stock options was estimated to be $16,335 using the Black-Scholes option pricing model and the following assumptions: exercise price of CAD$0.40, share price of CAD$0.40, risk free interest rate of 0.43%, an expected life of 5 years and an expected volatility of 63%.

(iii) On December 8, 2021, a total of 1,900,000 stock options were issued to directors, officers, advisors and consultants of the Company. The stock options are exercisable at a price of CAD$0.87 per share, expire on December 8, 2026 and vested immediately. The fair value of the stock options was estimated to be $709,381 using the Black-Scholes option pricing model and the following assumptions: exercise price of CAD$0.87, share price of CAD$0.90, risk free interest rate of 1.44%, an expected life of 5 years and an expected volatility of 60%.

During the thirteen months ended January 31, 2022, share based compensation expense for these stock options of $709,381 (twelve months ended December 31, 2020 - $128,316) was recorded in profit or loss.

The following table reflects the Company's stock options outstanding and exercisable as at January 31, 2022:

Options outstanding	Options exercisable	Grant date fair value ($)	Weighted average exercise price (CAD$)	Weighted average remaining contractual life (years)	Expiry date
940,000	940,000	25,736	0.43	2.88	December 16, 2024
100,000	100,000	16,335	0.40	3.90	December 23, 2025
1,900,000	1,900,000	709,381	0.87	4.85	December 8, 2026
2,940,000	2,940,000	751,452	0.71	4.19	

(Expressed in United States Dollars, unless otherwise indicated)

13. Stock Options, Restricted Share Units and Share Awards (Continued)

(b) Restricted share units ("RSU")

On December 16, 2019, the Company adopted a Restricted Share Unit Plan (the “RSU Plan”), subject to TSX-V and disinterested shareholder approval of the Company's Omnibus LTIP. The Company's Omnibus LTIP was approved at the Company’s annual general meeting on September 16, 2021. The maximum aggregate number of shares reserved for issuance under the RSU Plan, together with the Company’s Stock Option Plan shall not exceed a combined total of 10% of the Company’s issued and outstanding shares. In addition, the RSU Plan sets out certain other restrictions in respect of grants to certain participants under the RSU Plan in accordance with the rules of the TSX-V. The Company granted RSU's before the Plan was approved by the shareholders and TSX-V and these RSUs were valued at the stock price at the end of each reporting period. When the Plan was originally approved on June 19, 2020, the expense related to these granted RSUs was adjusted to the fair value per share as of June 19, 2020.

	Number of RSUs
Balance, December 31, 2019	**2,350,000**
Granted (i)	3,320,000
Converted into common shares	(1,436,372)
Settled in cash	(80,295)
Balance, December 31, 2020	**4,153,333**
Granted (ii)	3,300,000
Converted into common shares	(3,002,801)
Settled in cash	(387,202)
Balance, January 31, 2022	**4,063,330**

(i) On December 16, 2020, the Company granted 3,320,000 RSUs to certain employees, officers and directors, which at the Board's discretion can be settled in cash, equity or a combination thereof and vest as follows: 800,000 immediately, 1,373,332 on the first anniversary of the date of grant and 573,334 on each of the second and third anniversaries of the date of grant.

(ii) On December 8, 2021, the Company granted 3,300,000 RSUs to certain employees, officers and directors, which at the Board's discretion can be settled in cash, equity or a combination thereof and vest as follows: 800,000 immediately, 1,366,668 on the first anniversary of the date of grant and 566,666 on each of the second and third anniversaries of the date of grant.

For the thirteen months ended January 31, 2022, the Company recorded share based compensation expense for these RSU's of $2,266,560 (twelve months ended December 31, 2020 - $538,323).

(c) Share awards

On December 1, 2020, the Company granted 210,000 share awards to an employee and an officer which are to be settled in cash and vest as follows: 70,000 on each of the first, second and third anniversaries of the date of grant. The fair value of these cash-settled awards is recognized as compensation expense over the period that related services are rendered with a corresponding increase in liabilities. The total amount expensed is recognized over the vesting period, which is the period over which all the specified vesting conditions should be satisfied.

For the thirteen months ended January 31, 2022, the Company recorded share based compensation expense for these share awards of $287,862 (twelve months ended December 31, 2020 - $3,759). During the thirteen months ended January 31, 2022, the employee resigned from the Company and all of their 90,000 share awards vested at the Board's approval.

As at January 31, 2022, there were 80,000 (December 31, 2020 - 210,000) share awards outstanding.

(Expressed in United States Dollars, unless otherwise indicated)

14. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties include key management personnel and may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions are recorded at the exchange amount, being the amount agreed to between the related parties.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and members of the Board of Directors.

Remuneration of key management personnel of the Company was as follows:

	Thirteen Months Ended January 31, 2022	Twelve Months Ended December 31, 2020
Salaries and fees [(1)(2)]	$ 3,573,095	$ 1,476,678
Share based compensation	2,867,829	639,278
Change in share award liability	108,665	-
	$ 6,549,589	$ 2,115,956

(1) Management fees and salaries paid to the executive officers and directors for their services.

(2) Included in accounts payable and accrued liabilities are fees owing to officers and directors of $26,667 as at January 31, 2022 (December 31, 2020 - $26,667).

15. Financial Instruments

Fair value of 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 three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values.

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;

Level 2: Valuations based on directly or indirectly observable inputs for the asset or liability, other than quoted Level 1 prices, such as quoted interest rates or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not observable, such as discounted cash flow methodologies based on internal cash flow forecasts.

As of January 31, 2022, the Company's financial instruments consist of cash and cash equivalents, amounts receivable, marketable securities, accounts payable and accrued liabilities and non-recourse debt. Marketable securities are measured at fair value and classified within Level 1. The fair values of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities approximate their carrying amounts because of the short-term nature of these instruments. The non-recourse debt is stated at amortized cost, the fair value is not materially different to the carrying amounts, as the interest payable is close to current market rates.

16. Financial Risks

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss due to a counter-party's inability to meet its obligations under a financial instrument or contractual agreement that will result in a financial loss to the Company. The Company's credit risk exposure includes the carrying amounts of cash and cash equivalents and amounts receivable. To limit the credit risk exposure on its cash and cash equivalents, the Company holds all its cash and cash equivalents in credit worthy financial institutions. The Company believes no impairment is necessary in respect of amounts receivable from MCC Ramu NiCo Limited and other receivables as balances are monitored on a regular basis with the result that exposure to bad debts is insignificant.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Financial liquidity represents the Company's ability to fund future operating activities. The Company may generate cash from the sale of additional equity securities, as well as through debt financing. The Company plans to fund its ongoing operations with its existing cash balance. Although the Company may enter into commitments to acquire royalties and direct interests in mineral properties those commitments are normally funded by use of the Company's available cash and are contingent on its ability to raise funds through the sale of additional equity securities or debt financing. The Company's accounts payable and accrued liabilities are due within the next 12 months. The non-recourse debt is due as follows: $12,861,000 within the next 12 months and $60,537,024 after 12 months, however this loan is only repayable from the Company's share of the Ramu Nickel Mine's operating surplus.

Market risk

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate fluctuations as a result of its cash deposits and borrowings.

Cash deposits, which in turn earn interest income, are subject to the movement of interest rates and the Company does not enter into long-term deposits. The Company has AUD$111,267 on deposit at rates ranging between 0.15% and 0.28%.

The rate of the Company's long-term borrowings is 5.05%. As at January 31, 2022, the Company has estimated that for a 1% decrease or increase in the interest rate, all other variables remaining constant, the result would be a decrease or increase in net loss before taxes of approximately $800,000.

(ii) Foreign currency risk

Foreign currency risk arises from transactions and recognized assets and liabilities denominated in a currency that is not the Company's functional currency. The Company's functional currency is United States dollars. The Company incurs expenses in Canadian dollars, Australian dollars and Papua New Guinea Kina. As at January 31, 2022, the Company had approximately CAD$2,311,000, AUD$536,000 and PGK$258,000 of net assets. As at January 31, 2022, the Company has estimated that a 10% decrease or increase in the value of the Canadian dollar, Australian dollars and Papua New Guinea Kina, all other variables remaining constant, the result would be a decrease or increase in net loss before taxes of approximately $131,200.

(Expressed in United States Dollars, unless otherwise indicated)

16. Financial Risks (Continued)

Market risk (continued)

(iii) Commodity price risk

The Company is exposed to commodity price risk. This arises from the sale of nickel and cobalt that is priced on, or benchmarked to, open market exchanges. The products are sold by MCC Ramu Nico Limited as sales agent on behalf of the Company at prevailing market prices such as the London Metal Exchange (LME) and Metal Bulletin (MB). The products, predominantly nickel and cobalt, are provisionally priced, that is the selling price is determined preceding the month of shipment followed by an adjustment using the average price of the month of shipment after delivery to the customers. As at January 31, 2022, contracts for the physical delivery of commodities are carried in the statement of financial position at their realized prices. Derivative commodity contracts may be used to align realized prices to manage risk exposure although at the date there were no derivative commodity contracts being used.

The Company is also exposed to price risk with respect to the share prices of its marketable securities. The value of the Company's investment in Minerva may be adversely affected by a decline in share price of Minerva. As at January 31, 2022, the Company estimated that a 5% decrease or increase in the share price of Minerva, all other variables remaining constant, would result in a corresponding decrease or increase in net loss before taxes of approximately $5,700.

17. Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of shareholders' equity of $83,618,126 at January 31, 2022 (December 31, 2020 - $69,046,547).

There were no changes in the Company's approach to capital management during the period. The Company is not subject to any externally imposed capital requirements.

18. Income Taxes

The income tax expense differs from the amount resulting from the application of the combined Canadian statutory income tax rate as follows:

	Thirteen Months Ended January 31, 2022	**Twelve Months Ended December 31, 2020**
Loss before income taxes	**$ 13,916,380**	$ 2,562,412
Statutory tax rate	**26.50 %**	26.50 %
Expected income tax (recovery) expense based on statutory rate	**3,687,708**	679,039
Adjustment to expected income tax benefit/expense:		
Foreign rate difference	**769,356**	60,176
Permanent and other differences	**2,395,881**	1,428,506
Non-taxable gain on sale of investments	**-**	(516,718)
Net taxable income subject to tax holiday	**(1,957,293)**	-
Adjustment for current tax of prior periods	**(4,803)**	-
Utilization of items not recognized	**(2,149,014)**	(1,651,003)
Total income tax expense	**$ 2,741,835**	$ -

(Expressed in United States Dollars, unless otherwise indicated)

18. Income Taxes (Continued)

The significant components of the deferred tax liabilities as at January 31, 2022 are as follows:

	As at January 31, 2022	As at December 31, 2020
Exploration costs and impairment	**$ (1,820,615)**	$ 769,475
Sundry items	**(939,838)**	(769,475)
Provision for employee entitlements	**21,965**	-
Unrealized foreign exchange gain	**(347)**	-
Deferred tax liabilities	**$ (2,738,835)**	$ -

The significant components of the temporary differences not recognized as at January 31, 2022 are as follows:

	Canada	Papua New Guinea
Deductible (taxable) temporary differences not recognized:		
Non-capital losses	**$ 6,107,980**	**$ 26,000**
Capital losses	**201,244**	**-**
Financing and share issuance costs	**38,703**	**-**
Eligible capital property	**58,472**	**-**
	$ 6,406,399	**$ 26,000**

The significant components of the temporary differences not recognized as at December 31, 2020 are as follows:

	Canada	Papua New Guinea
Deductible (taxable) temporary differences not recognized:		
Non-capital losses	**$ 2,271,055**	**$ 1,063,000**
Exploration costs and impairment	**-**	**9,605,338**
Provision for employee entitlements and others	**-**	**53,000**
Financing and share issuance costs	**56,266**	**-**
Eligible capital property	**94,785**	**-**
	$ 2,422,106	**$ 10,721,338**

The tax losses are available to be carried forward for a maximum of 7 years in Papua New Guinea and 20 years in Canada. The losses in Canada expire from 2038 to 2041.

As at January 31, 2022, there was no unrecognized taxable temporary differences relating to the outside basis of the investment in subsidiaries.

(Expressed in United States Dollars, unless otherwise indicated)

19. Segmented Information

The Company operates in three reportable operating segments, being the royalty interests, Ramu Nickel Mine and corporate activities. Operating segment information is as follows:

Thirteen Months Ended January 31, 2022	**Royalties**	**Ramu Nickel Mine**	**Corporate**	**Total**
Share of operating profit from Ramu Nickel Mine	$ -	$ 27,475,384	$ -	$ 27,475,384
Operating expenses	-	(1,693,376)	(7,467,656)	(9,161,032)
Financing costs	-	(4,324,512)	-	(4,324,512)
Unrealized loss on marketable securities	-	-	(27,373)	(27,373)
Carbon offset	-	-	(57,750)	(57,750)
Foreign exchange (loss) gain	-	(1,143)	12,806	11,663
Current income tax	-	(2,741,835)	-	(2,741,835)
Net income (loss)	**$ -**	**$ 18,714,518**	**$ (7,539,973)**	**$ 11,174,545**

Twelve Months Ended December 31, 2020	**Royalties**	**Ramu Nickel Mine**	**Corporate**	**Total**
Share of operating profit from Ramu Nickel Mine	$ -	$ 7,727,871	$ -	$ 7,727,871
Operating expenses	-	(511,830)	(3,301,887)	(3,813,717)
Financing costs	-	(5,368,261)	-	(5,368,261)
Unrealized gain on marketable securities	-	-	310,178	310,178
Realized gain on marketable securities	-	-	3,899,757	3,899,757
Impairment of royalty contracts	(571,081)	-	-	(571,081)
Foreign exchange gain	-	58,708	318,957	377,665
Net income (loss)	**$ (571,081)**	**$ 1,906,488**	**$ 1,227,005**	**$ 2,562,412**

The Company has an administrative office in Canada and operations in Australia. Geographical information is as follows:

As at January 31, 2022	**Canada**	**Asia Pacific**	**Total**
Current assets	$ 3,273,250	$ 4,507,989	$ 7,781,239
Non-current assets	25,495,893	126,849,654	152,345,547
Total assets	**$ 28,769,143**	**$131,357,643**	**$160,126,786**

As at December 31, 2020	**Canada**	**Asia Pacific**	**Total**
Current assets	$ 4,985,415	$ 17,130,421	$ 22,115,836
Non-current assets	25,495,893	128,610,925	154,106,818
Total assets	**$ 30,481,308**	**$145,741,346**	**$176,222,654**

20. Contingent Liabilities

(i) On August 24, 2019, the Ramu Nickel Joint Venture ("RNJV") was involved in an environmental incident that resulted in an investigation by the PNG authorities. The investigation has been completed, however the final investigation report is yet to be released. Ramu NiCo Management (MCC) Limited ("RNML"), the Joint Venture Manager, has implemented effective control measures to prevent similar incidents from occurring and compensated local residents approximately PGK 300,000. However, RNML is unable to estimate any possible further compensation amount until the final investigation report is released.

On 5 February 2020, The Madang Provincial government and 13 landowner plaintiffs sued RNML, the Joint Venture Manager, for alleged breach of various environmental laws and commitment of public and private nuisance and negligence by continuously dumping tailings and waste into the Astrolabe and Basamuk Bays. On March 23, 2020, RNML filed its defence. On September 8, 2020, the plaintiffs had then filed a Notice of Motions intending to stop the normal operation of the Ramu project. Subsequently, the Joint Venture Manager filed 51 affidavits to defend and a motion seeking to transfer the case to a commercial court. In October 2020, the State of Papua New Guinea through the Conservation and Environment Protection Authority (CEPA) also filed an application to be a second defendant in this case delivering support to the Ramu project. This application was granted by the court. As of the date of signing these financial statements, the case is still in the pre-trial stage. The onus is on the plaintiffs to prosecute the case, but they have not showed any intention to do so in the period ended January 31, 2022. Management is confident about successfully defending the case and does not have the intention to settle the case out of court. However, management is unable to reliably estimate the possible compensation amount until the case is closed.

No provisions were recognized in the consolidated financial statements in relation to these two matters.

(ii) Accounts payable and accrued liabilities contain amounts which are held on behalf of former shareholders of Highlands Pacific Limited, which have not yet been claimed by shareholders following the purchase and subsequent delisting of Highlands Pacific Limited from the Australian Securities Exchange ("ASX").

21. Subsequent Event

Subsequent to year end and in connection with the Company's NCIB, the Company repurchased an additional 400,000 common shares for a total cost of CAD$547,611. Additionally, the Company received proceeds of CAD$137,600 following the exercise of 320,000 stock options subsequent to year end.