



CONIC METALS CORP.

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2020**

**(EXPRESSED IN UNITED STATES DOLLARS)
(UNAUDITED)**



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CONIC METALS CORP.**Condensed Interim Consolidated Statements of Financial Position****(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)**

| | As at September 30, 2020 | As at December 31, 2019 Restated (Note 4) |
|---|--------------------------------|---|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 7,972,691 | \$ 4,438,341 |
| Amounts receivable and other assets (Note 5) | 166,998 | 17,336,735 |
| Marketable securities (Note 6) | 78,717 | 1,111,333 |
| | 8,218,406 | 22,886,409 |
| Non-Current Assets | | |
| Investment in Ramu Nickel Mine (Note 7) | 137,592,290 | 141,061,107 |
| Royalty contracts (Note 8) | 25,495,893 | 26,066,974 |
| Right-of-use assets | 60,000 | 90,229 |
| Property, plant and equipment | 40,273 | 45,092 |
| | \$ 171,406,862 | \$ 190,149,811 |
| Liabilities and Shareholders' Equity | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 574,430 | \$ 474,553 |
| Lease liability | 40,000 | 40,960 |
| Non-recourse debt (Note 9) | 12,840,000 | 17,212,094 |
| | 13,454,430 | 17,727,607 |
| Non-Current Liabilities | | |
| Lease liability | 24,000 | 51,000 |
| Non-recourse debt (Note 9) | 92,596,735 | 106,530,663 |
| | 106,075,165 | 124,309,270 |
| Shareholders' Equity | | |
| Share capital (Note 10) | 66,076,942 | 66,076,942 |
| Reserves | 280,716 | 103,456 |
| Deficit | (1,025,961) | (339,857) |
| | 65,331,697 | 65,840,541 |
| Total Liabilities and Shareholders' Equity | \$ 171,406,862 | \$ 190,149,811 |

Subsequent Event (Note 16)

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

CONIC METALS CORP.**Condensed Interim Consolidated Statements of Net and Comprehensive Income (Loss)****(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)**

| | Three Months Ended September 30, 2020 | Nine Months Ended September 30, 2020 | For the Period from June 25, 2019 to September 30, 2019 |
|---|--|---|---|
| Operating Expenses | | | |
| Consulting fees | \$ - | \$ 5,661 | \$ - |
| Exploration costs | 64,090 | 189,115 | - |
| General and administrative | 129,702 | 376,651 | - |
| Salaries and fees (Note 12) | 219,173 | 811,902 | - |
| Marketing and promotion | 42,832 | 165,942 | - |
| Professional fees | 40,660 | 170,249 | - |
| Regulatory fees | 14,147 | 40,632 | - |
| Share based compensation (Note 12) | 36,243 | 177,260 | - |
| Operating Loss | (546,847) | (1,937,412) | - |
| Other Income (Expenses) | | | |
| Interest income | 575 | 11,097 | - |
| Impairment of royalty contracts (Note 8) | - | (571,081) | - |
| Share of operating profit from Ramu Nickel Mine (Note 7(ii)) | 268,991 | 1,643,360 | - |
| Unrealized gain on marketable securities | 803,745 | 247,519 | - |
| Realized gain on marketable securities (Note 6) | 3,899,757 | 3,899,757 | - |
| Financing costs (Note 7(iv)) | (1,313,972) | (4,018,361) | - |
| Foreign exchange gain | 28,720 | 39,017 | - |
| | 3,687,816 | 1,251,308 | - |
| Net and Comprehensive Income (Loss) for the Period | \$ 3,140,969 | \$ (686,104) | \$ - |
| Basic and Diluted Income (Loss) per Share | \$ 0.04 | \$ (0.01) | \$ - |
| Weighted Average Number of Common Shares Outstanding - Basic and Diluted | 83,465,472 | 83,465,472 | - |

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

CONIC METALS CORP.**Condensed Interim Consolidated Statements of Cash Flows****(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)**

| | Nine Months Ended September 30, 2020 | For the Period from June 25, 2019 to September 30, 2019 |
|---|---|---|
| Operating Activities | | |
| Net loss for the period | \$ (686,104) | \$ - |
| Adjustments for: | | |
| Impairment of royalty contracts | 571,081 | - |
| Share of operating profit from Ramu Nickel Mine | (1,643,360) | - |
| Unrealized gain on marketable securities | (247,519) | - |
| Realized gain on marketable securities | (3,899,757) | - |
| Share based compensation | 177,260 | - |
| Financing costs | 4,018,361 | - |
| Other | 7,088 | - |
| Non-cash working capital items: | | |
| Amounts receivable and other assets | (42,469) | - |
| Accounts payable and accrued liabilities | 99,877 | - |
| Net Cash and Cash Equivalents Used in Operating Activities | (1,645,542) | - |
| Investing Activities | | |
| Proceeds from the sale of marketable securities (Note 6) | 5,179,892 | - |
| Net Cash and Cash Equivalents provided by Investing Activities | 5,179,892 | - |
| Net change in Cash and Cash Equivalents | 3,534,350 | - |
| Cash and Cash Equivalents, Beginning of Period | 4,438,341 | - |
| Cash and Cash Equivalents, End of Period | \$ 7,972,691 | \$ - |
| Supplemental Information | | |
| Interest paid | \$ - | \$ - |
| Income taxes paid | \$ - | \$ - |

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

CONIC METALS CORP.**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)**

| | Share Capital | | Reserves | Deficit | Total |
|--|-------------------|----------------------|-------------------|-----------------------|----------------------|
| | Number | Amount | | | |
| Balance, June 25, 2019 | - | \$ - | \$ - | \$ - | \$ - |
| Issuance of common share on incorporation (Note 10(b)(i)) | 1 | 1 | - | - | 1 |
| Balance, September 30, 2019 | 1 | 1 | - | - | 1 |
| Cancellation of common share | (1) | (1) | - | - | (1) |
| Issuance of common shares on acquisition of assets from Sienna Metals Limited (Notes 4 and 10(b)(ii)) | 83,465,472 | 66,076,942 | - | - | 66,076,942 |
| Share based compensation (Note 11(b)) | - | - | 103,456 | - | 103,456 |
| Net loss for the period | - | - | - | (339,857) | (339,857) |
| Balance, December 31, 2019 | 83,465,472 | 66,076,942 | 103,456 | (339,857) | 65,840,541 |
| Share based compensation (Note 11(b)) | - | - | 177,260 | - | 177,260 |
| Net loss for the period | - | - | - | (686,104) | (686,104) |
| Balance, September 30, 2020 | 83,465,472 | \$ 66,076,942 | \$ 280,716 | \$ (1,025,961) | \$ 65,331,697 |

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

CONIC METALS CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2020

(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)

1. Nature of Operations

Conic Metals Corp. (the "Company" or "Conic") 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. 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. Conic holds an 8.56% joint-venture interest in the producing, long-life Ramu Nickel-Cobalt Operation located in Papua New Guinea. In addition, Conic manages a portfolio of nickel and cobalt royalties on development and exploration projects in Canada and Australia.

These unaudited condensed interim consolidated financial statements of the Company for the period ended September 30, 2020 were approved and authorized for issue by the Board of Directors on November 30, 2020.

On October 25, 2019, Cobalt 27 Capital Corp. ("Cobalt 27") and a wholly owned subsidiary of Pala Investments Limited ("Pala") - Sienna Metals Limited ("Sienna Metals") completed a transaction (the "Arrangement Agreement") pursuant to which Pala acquired 100% of Cobalt 27's issued and outstanding common shares, other than the approximately 19% that Pala already owned. Under the terms of the Arrangement Agreement Cobalt 27 shareholders received for each common share held, CAD\$4.00 in cash plus one common share of Conic.

The Arrangement Agreement was carried out under a court approved statutory plan of arrangement governed by the Business Corporations Act (British Columbia). On closing of the Arrangement Agreement, certain assets and liabilities of Cobalt 27 were transferred to Conic. (Note 4)

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. The Company's employees, directors and consultants have fortunately not had any known cases of Covid19. 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 and so far there are no reported Covid19 cases at Ramu. 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. Significant Accounting Policies

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 - Interim Financial Reporting. Accordingly, they do not include all the information required for full annual financial statements and should be read in conjunction with the Company's most recent annual consolidated financial statements as at and for the period ended December 31, 2019.

The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the period ended December 31, 2019.

CONIC METALS CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2020

(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)

3. Key Sources of Estimation Uncertainty and Critical Accounting Judgments

The preparation of the Company's consolidated 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 consolidated 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. To the extent that future cash flows and taxable profit differ significantly from estimates, the ability of the Company to realize the deferred tax assets recorded at the statement of financial position date could be impacted. 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.

Business combinations

Determination of whether a set of assets acquired and liabilities assumed constitute the acquisition of a business or an asset may require the Company to make certain judgments as to whether or not the assets acquired and liabilities assumed include the inputs, processes and outputs necessary to constitute a business as defined in IFRS 3 – Business Combinations. Based on an assessment of the relevant facts and circumstances, the Company concluded that the spin-out transaction on October 25, 2019 did not meet the definition of a business and the transaction has been accounted for as an asset acquisition (note 4).

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.

CONIC METALS CORP.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Nine Months Ended September 30, 2020****(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)**

4. Asset Acquisition

On October 25, 2019, the Company, Pala and Sienna Metals completed the spin-out transaction pursuant to which certain assets of Cobalt 27 were transferred to Conic in exchange for common shares of Conic. The transaction was implemented by way of a court-approved statutory plan of arrangement governed by the Business Corporations Act (British Columbia).

On closing of the transaction, Pala acquired 100% of Cobalt 27's issued and outstanding common shares, other than the approximately 19% that Pala already owned, and transferred certain assets and liabilities to Conic. The net assets were transferred to Conic in exchange for an aggregate of 83,465,472 common shares of Conic.

Based on management's judgment, the acquisition did not meet the IFRS definition of a business combination as the primary assets acquired did not constitute a business. Consequently, the transaction was recorded as an asset acquisition.

The consideration was determined based on the carrying amounts of the assets and liabilities transferred at the closing date of the Arrangement Agreement as follows:

Consideration

| | |
|---------------------|----------------------|
| Share consideration | \$ 66,076,942 |
|---------------------|----------------------|

Net assets acquired

| | |
|--|----------------------|
| Net cash | \$ 2,590,467 |
| Royalty contracts | 26,066,974 |
| Marketable securities | 1,356,716 |
| Investment in Highlands Pacific Limited ⁽¹⁾ | 51,515,372 |
| Intercompany loans | (15,452,587) |
| | \$ 66,076,942 |

⁽¹⁾ The investment in Highlands Pacific Limited consisted of the following:

| | |
|---|----------------------|
| Cash and cash equivalents | \$ 2,409,533 |
| Receivables ^(a) | 32,738,475 |
| Property, plant and equipment | 46,376 |
| Right-of-use assets | 97,000 |
| Investment in Ramu Nickel Mine ^(a) | 139,185,550 |
| Accounts payable and accrued liabilities ^(a) | (155,769) |
| Lease liability | (98,000) |
| Non-recourse debt | (122,707,793) |
| | \$ 51,515,372 |

^(a) During the current quarter, the Company determined that certain balances in the October 25, 2019 and December 31, 2019 statement of financial position previously classified as accounts receivable of \$5,340,217 and \$8,794,185, respectively and accounts payable of \$737,000 and \$950,304, respectively are more appropriately classified as investment in Ramu Nickel Mine. The December 31, 2019 statement of financial position has been restated to reflect this reclassification. There was no impact to consolidated net and comprehensive loss for any period presented or consolidated net assets. See notes 5 and 7(i).

CONIC METALS CORP.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Nine Months Ended September 30, 2020****(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)**

5. Amounts Receivable and Other Assets

| | As at September 30, 2020 | As at December 31, 2019 Restated (note 4) |
|----------------------------------|---|--|
| Other receivables ⁽¹⁾ | \$ - | \$ 17,212,206 |
| Harmonized sales tax receivable | 65,245 | 16,639 |
| Prepaid expenses | 7,080 | 41,212 |
| Sundry receivables | 94,673 | 66,678 |
| | \$ 166,998 | \$ 17,336,735 |

⁽¹⁾ Other receivables as at December 31, 2019 represented an amount held on behalf of Highlands Pacific Limited by MCC Ramu NiCo Limited. During the nine months ended September 30, 2020, \$22.3 million (note 9) was applied against the loan from MCC Ramu NiCo Limited.

6. 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 September 30, 2020, the investment in Minerva was valued at \$78,717 (December 31, 2019 - \$100,092) based on the applicable closing share price.

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

7. 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 the Ramu mine is held by the Company through its wholly-owned subsidiary Ramu Nickel Limited. The Company's interest in the Ramu mine will increase to 11.3% at no cost to the Company once Conic's share of the Ramu project debt is repaid to the project manager and joint venture partner MCC (note 9). 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%.

CONIC METALS CORP.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Nine Months Ended September 30, 2020****(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)**

7. Investment in Ramu Nickel Mine (Continued)

(i) Continuity of investment in Ramu Nickel Mine

| | Nine Months Ended September 30, 2020 |
|---|---|
| Opening balance - restated (note 4) | \$ 141,061,107 |
| Share of operating profit from Ramu Nickel Mine | 1,643,360 |
| Distribution for non-recourse debt repayment | (5,112,177) |
| Closing balance | \$ 137,592,290 |

(ii) Interest in Ramu Nickel Mine

| | Three Months Ended September 30, 2020 | Nine Months Ended September 30, 2020 |
|--|--|---|
| Share of revenue | \$ 7,517,738 | \$ 22,287,859 |
| Share of production costs | (4,278,374) | (12,683,865) |
| Share of other costs (recoveries) | (819,666) | (1,361,724) |
| Depreciation and amortization | (2,047,826) | (6,143,478) |
| Direct holding costs | (102,881) | (455,432) |
| Share of operating profit from Ramu Nickel Mine | \$ 268,991 | \$ 1,643,360 |

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

| | Three Months Ended September 30, 2020 | Nine Months Ended September 30, 2020 |
|---|--|---|
| Share of Ramu Nickel Mine's MHP Product (Wet Metric Tonnes) | 3,667 | 11,219 |
| Revenue from Sales of MHP Products | \$ 7,517,738 | \$ 22,287,859 |

(iv) Non-recourse debt (note 9)

| | Nine Months Ended September 30, 2020 |
|------------------------|---|
| Opening balance | \$ 123,742,757 |
| Interest accrued | 4,018,361 |
| Loan repayments | (22,324,383) |
| Closing balance | \$ 105,436,735 |

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 9).

CONIC METALS CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2020

(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)

8. 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 September 30, 2020, the Company's Royalty Contracts consisted of the following:

| Royalty Name | Owner | Property Location | Stage | Primary Metal(s) | Royalty Type and % | Carrying value |
|--|--|-------------------|------------------------|------------------|--------------------|---------------------------|
| Dumont Project ⁽¹⁾ | 8248567 Canada Limited | Québec | Advanced / Development | Ni-Co | 1.75% NSR | \$15,263,086 |
| Turnagain Project ⁽²⁾ | Giga Metals Corporation | British Columbia | Exploration | Ni-Co | 2% NSR | \$7,241,392 |
| Flemington Project ⁽³⁾ | Australian Mines Ltd. | Australia | Exploration | Ni-Co-Sc | 1.5% GRR | \$1,943,514 |
| Nyngan Project ⁽⁴⁾ | Scandium International Mining Corp. | Australia | Advanced / Development | Sc- Ni-Co | 1.7% GRR | \$971,757 |
| Professor & Waldman Properties ⁽⁵⁾⁽⁶⁾ | New Found Gold Corp. (formerly Palisade Resources Corp.) | Ontario | Exploration | Co-Ag | 2% Co NSR | \$190,357 |
| Triangle Property ⁽⁶⁾ | New Found Gold Corp. (formerly Palisade Resources Corp.) | Ontario | Exploration | Co-Ag | 2% Co NSR | \$190,362 |
| Rusty Lake Property ⁽⁶⁾ | New Found Gold Corp. (formerly Palisade Resources Corp.) | Ontario | Exploration | Co-Ag | 2% Co NSR | \$190,362 |
| North Canol Properties ⁽⁵⁾ | Golden Ridge Resources Ltd. | Yukon | Exploration | Ag-Pb-Zn-Co | 2% Co NSR | \$38,072 |
| Sunset Mineral Property | Three Individuals | British Columbia | Exploration | Cu-Zn-Co | 2% Co NSR | \$38,072 |
| Impairment⁽⁶⁾ | | | | | | \$26,066,974 (571,081) |
| Total Royalty Contracts | | | | | | \$25,495,893 |

(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.

CONIC METALS CORP.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Nine Months Ended September 30, 2020****(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)**

8. Royalty Contracts (Continued)

- (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 nine months ended September 30, 2020, the Company recorded an impairment of \$571,081 against the royalties on the Professor & Waldman, Triangle and Rusty Lake properties.

9. Non-Recourse Debt

| | As at September 30, 2020 | As at December 31, 2019 |
|---|--------------------------------|-------------------------------|
| Loan from MCC Ramu NiCo Limited - current | \$ 12,840,000 | \$ 17,212,094 |
| Loan from MCC Ramu NiCo Limited - non-current | 92,596,735 | 106,530,663 |
| | \$ 105,436,735 | \$ 123,742,757 |

Balance consists of:

| | As at September 30, 2020 | As at December 31, 2019 |
|--|--------------------------------|-------------------------------|
| Non-recourse operating debt - current | \$ 12,840,000 | \$ 17,212,094 |
| Non-recourse construction debt - current | - | - |
| Non-recourse operating debt - non-current | 11,953,831 | 28,874,526 |
| Non-recourse construction debt - non-current | 80,642,904 | 77,656,137 |
| | \$ 105,436,735 | \$ 123,742,757 |

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).

Currently, 100% of the operating surpluses from the mine are first allocated to repay the non-recourse operating debt and related interest. Once the operating debt is repaid, the Company can repay the construction debt in its entirety without penalty and becomes entitled to its 8.56% share of 35% 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, 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 that is expected to be applied to repay the non-recourse debt over the next twelve months. The borrowings, under the operating debt and construction debt, bear an interest rate of 5.05% annually.

During the nine months ended September 30, 2020, the Company made a non-recourse debt repayment of \$22,324,383 from the Ramu Mine's operating surpluses.

CONIC METALS CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2020

(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)

10. Share Capital

- a) Authorized: Unlimited number of common shares without par value.
- b) Common shares issued:
- (i) On June 25, 2019, the Company issued 1 common share to Cobalt 27 Capital Corp. on incorporation.
 - (ii) On October 25, 2019 and concurrent with the spin-out transaction (note 4), the Company cancelled its 1 common share issued on incorporation and issued an aggregate of 83,465,472 common shares in exchange for certain assets as part of the spin-out transaction.

11. Stock Options and Restricted Share Units

(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 June 19, 2020. 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 September 30, 2020 and 2019:

| | Number of stock options | Weighted average exercise price (CAD\$) |
|--|----------------------------|---|
| Balance, June 25, 2019 and September 30, 2019 | - | - |
| Balance, December 31, 2019 | - | - |
| Granted (i) | 4,090,000 | 0.43 |
| Balance, September 30, 2020 | 4,090,000 | 0.43 |

(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 \$0.145, risk free interest rate of 0.34%, an expected life of 4.5 years and an expected volatility of 65%. During the nine months ended September 30, 2020, share based compensation expense for these stock options of \$111,981 was recorded in the consolidated statements of net and comprehensive income (loss).

The following table reflects the Company's stock options outstanding and exercisable as at September 30, 2020:

| Options outstanding | Options exercisable | Grant date fair value (\$) | Weighted average exercise price (CAD\$) | Weighted average remaining contractual life (years) | Expiry date |
|------------------------|------------------------|----------------------------------|---|--|-------------------|
| 4,090,000 | 4,090,000 | 111,981 | 0.43 | 4.21 | December 16, 2024 |

CONIC METALS CORP.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Nine Months Ended September 30, 2020****(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)**

11. Stock Options and Restricted Share Units (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 June 19, 2020. 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 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.

On December 16, 2019, the Company committed to grant 2,350,000 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: 300,000 immediately, 500,000 monthly over one year starting January 1, 2020, 716,666 on the first anniversary of the date of grant and 416,667 on each of the second and third anniversaries of the date of grant. On June 19, 2020, the 2,350,000 RSUs were granted concurrent with the approval of the Company's Omnibus LTIP. For the three and nine months ended September 30, 2020, the Company recorded share based compensation expense for these RSU's of \$36,243 and \$65,279, respectively.

12. 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:

| | Three Months Ended September 30, 2020 | Nine Months Ended September 30, 2020 | For the Period from June 25, 2019 to September 30, 2019 |
|-------------------------------------|--|---|--|
| Salaries and fees ⁽¹⁾⁽²⁾ | \$ 279,337 | \$ 847,367 | \$ - |
| Share based compensation | 36,243 | 169,046 | - |
| | \$ 315,580 | \$ 1,016,413 | \$ - |

(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 \$27,967 as at September 30, 2020 (December 31, 2019 - \$15,433).

CONIC METALS CORP.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Nine Months Ended September 30, 2020****(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)****13. 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:

| Three Months Ended September 30, 2020 | Royalties | Ramu Nickel | | Total |
|---|------------------|-----------------------|---------------------|---------------------|
| | | Mine | Corporate | |
| Share of operating profit from Ramu Nickel Mine | \$ - | \$ 268,991 | \$ - | \$ 268,991 |
| Operating expenses | - | (122,038) | (424,809) | (546,847) |
| Financing costs | - | (1,313,972) | 575 | (1,313,397) |
| Unrealized gain on marketable securities | - | - | 803,745 | 803,745 |
| Realized gain on marketable securities | - | - | 3,899,757 | 3,899,757 |
| Foreign exchange gain | - | 13,317 | 15,403 | 28,720 |
| Net income (loss) | \$ - | \$ (1,153,702) | \$ 4,294,671 | \$ 3,140,969 |

| Nine Months Ended September 30, 2020 | Royalties | Ramu Nickel | | Total |
|---|---------------------|-----------------------|---------------------|---------------------|
| | | Mine | Corporate | |
| Share of operating profit from Ramu Nickel Mine | \$ - | \$ 1,643,360 | \$ - | \$ 1,643,360 |
| Operating expenses | - | (509,727) | (1,427,685) | (1,937,412) |
| Financing costs | - | (4,018,361) | 11,097 | (4,007,264) |
| Unrealized gain on marketable securities | - | - | 247,519 | 247,519 |
| Realized gain on marketable securities | - | - | 3,899,757 | 3,899,757 |
| Impairment of royalty contracts | (571,081) | - | - | (571,081) |
| Foreign exchange gain | - | 34,928 | 4,089 | 39,017 |
| Net income (loss) | \$ (571,081) | \$ (2,849,800) | \$ 2,734,777 | \$ (686,104) |

| | | | | |
|---------------|----------------------|-----------------------|---------------------|-----------------------|
| Assets | \$ 25,495,893 | \$ 138,526,498 | \$ 7,384,471 | \$ 171,406,862 |
|---------------|----------------------|-----------------------|---------------------|-----------------------|

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

| As at September 30, 2020 | Canada | Asia Pacific | Total |
|---------------------------------|----------------------|-----------------------|-----------------------|
| Current assets | \$ 5,889,857 | \$ 2,328,549 | \$ 8,218,406 |
| Non-current assets | 25,495,893 | 137,692,563 | 163,188,456 |
| Total assets | \$ 31,385,750 | \$ 140,021,112 | \$ 171,406,862 |

| As at December 31, 2019 | Canada | Asia Pacific | Total |
|--------------------------------|----------------------|-----------------------|-----------------------|
| Current assets | \$ 3,327,510 | \$ 23,268,811 | \$ 26,596,321 |
| Non-current assets | 26,066,974 | 137,486,516 | 163,553,490 |
| Total assets | \$ 29,394,484 | \$ 160,755,327 | \$ 190,149,811 |

CONIC METALS CORP.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Nine Months Ended September 30, 2020****(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)**

14. 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 first stage investigation has been completed and no contamination was identified, however the final investigation report is yet to be released. MCC has compensated local residents approximately PGK300,000 as requested by the PNG authorities.

Ramu Nico Management (MCC) Limited (RNML), the Joint Venture Manager, was served a writ of summon dated February 5, 2020 from plaintiffs in relation to claims made by a number of individuals claiming to be landowners of Madang area and the Madang Provincial government for the alleged breach of environmental law by RNML and RNJV. RNML filed a notice of intention to defend and the defence respectively on March 9, 2020 and March 24, 2020.

RNML was served with a notice of motion and affidavit, filed by the plaintiffs to the Papua New Guinea National Court of Justice on September 8, 2020, requesting injunctive relief against operations at Ramu. RNML filed affidavits on October 7, 2020 to defend. As of October 15, 2020, the judge had granted a request to add the Independent State of Papua New Guinea as a second defendant to the case. The parties are working on a combined consent order/direction for the judge's approval and for the proceeding of the case. While a court appearance was scheduled for November 5, 2020, on November 2, 2020 the Papua New Guinea National Court of Justice released a public notice stating that all matters scheduled for this November were to be referred back to the registry.

As of the date hereof, the case is still in pre-trial stage and Management is unable to assess the likely result and/or potential impacts of this matter. In order to move forward, the plaintiffs must apply to relist the case for a new date.

(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").

15. Other Events

(i) In March 2020, the Company entered into an agreement to divest its interest in the exploration license Sewa Bay, which is recorded at \$nil, to Pure Minerals Limited, an ASX listed entity. In consideration of the transaction, the buyer will pay Highlands Pacific Limited an aggregate amount of AU\$150,000 if certain milestones are achieved. This transaction was completed during the quarter ended September 30, 2020.

(ii) On June 24, 2020, the Company entered into an agreement to sell its wholly-owned subsidiary Highland Pacific Resources Limited, which holds the Company's Star Mountains exploration licenses in Papua New Guinea, to a private entity. In consideration of the transaction, the buyer will pay the Company up to \$5 million in cash upon achieving certain milestone events. This transaction was completed on October 13, 2020 (see note 16).

16. Subsequent Event

On October 13, 2020, the Company completed its transaction to sell its wholly-owned subsidiary Highland Pacific Resources Limited, which holds the Company's Star Mountains exploration licenses in Papua New Guinea, to a private entity as explained in note 15(ii).