
CLASS 1 NICKEL AND TECHNOLOGIES LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(EXPRESSED IN CANADIAN DOLLARS)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Class 1 Nickel and Technologies Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Class 1 Nickel and Technologies Limited and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024, and the consolidated statements of loss and comprehensive loss, changes in in (deficit) equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis of Opinion

We conducted our audit 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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2024 and, as of that date, the Company's current liabilities exceeded its total assets. As stated in note 1, these events or conditions, along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. The matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter of the Material Uncertainty Related to Going Concern described above, we have determined that there are no other key audit matters to communicate in our report.

Other Matter

The consolidated financial statements of the Company for the year ended December 31, 2023, were audited by another auditor who expressed an unmodified opinion on those statements on April 18, 2024.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis for the year ended December 31, 2024, which we obtained prior to the date of this auditor's report.

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 or otherwise 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. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the

Company as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Julia Zhou.

April 22, 2025
Markham, Ontario

Horizon Assurance LLP

Chartered Professional Accountant
Licensed Public Accountant

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

	As at December 31, 2024	As at December 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,478,778	\$ 82,398
Prepaid expenses	36,257	18,204
Accounts receivable (note 4)	28,287	387,760
Due from related party (note 10)	27,291	57,841
Total assets	\$ 1,570,613	\$ 546,203
SHAREHOLDER'S (DEFICIT) EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	\$ 468,764	\$ 502,297
Deferred flow-through premium (note 12)	330,000	-
Liability component of convertible debentures (note 6)	1,402,248	-
Total current liabilities	2,201,012	502,297
Liability component of convertible debentures (note 6)	463,478	1,974,903
Total liabilities	2,664,490	2,477,200
Shareholder's (deficit) equity		
Share capital (note 7)	21,570,803	18,941,877
Contributed surplus	2,901,757	2,515,641
Warrant reserve (note 9)	1,241,636	1,241,636
Equity component of convertible debentures (note 6)	590,486	723,697
Deficit	(27,398,559)	(25,353,848)
Total shareholder's (deficit) equity	(1,093,877)	(1,930,997)
Total shareholder's (deficit) equity and liabilities	\$ 1,570,613	\$ 546,203

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

Nature of operations and going concern (note 1)

Commitments and contingencies (note 12)

Approved by the Board of Directors on April 22, 2025

"David Fitch" Director

"Matthew Gibertson" Director

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

	Year Ended December 31, 2024	Year Ended December 31, 2023
Operating expenses		
Exploration and evaluation (note 5)	\$ 775,949	\$ 1,162,282
General and administrative	43,456	23,916
Investor relations	112,575	120,079
Professional fees (note 10)	418,839	384,495
Regulatory	44,983	38,839
Share based compensation (note 8)	386,116	-
Travel	11,465	33,749
Loss before the following items	1,793,383	1,763,360
Finance expenses (note 6)	274,621	260,428
Interest income	(23,293)	(745)
Net loss and comprehensive loss for the year	\$ (2,044,711)	\$ (2,023,043)
Net loss and comprehensive loss per share basic and diluted	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding basic and diluted	167,819,745	150,074,374

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

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

	Year Ended December 31, 2024	Year Ended December 31, 2023
Operating activities		
Net loss for the year	\$ (2,044,711)	\$ (2,023,043)
Adjustments for:		
Finance expenses	274,621	260,428
Share based compensation	386,116	-
Changes in non-cash working capital items:		
Accounts receivable	359,473	350,197
Prepaid expenses	(18,053)	(15,488)
Accounts payable and accrued liabilities	(33,533)	(785,082)
Due from related party	30,550	(50,496)
Net cash used in operating activities	(1,045,537)	(2,263,484)
Financing activities		
Proceeds from issuance of shares, net of issuance cost	2,046,663	1,290,625
Proceeds from convertible debentures, net of transaction costs	395,254	948,796
Net cash provided by financing activities	2,441,917	2,239,421
Net change in cash and cash equivalents	1,396,380	(24,063)
Cash and cash equivalents, beginning of year	82,398	106,461
Cash and cash equivalents, end of year	\$ 1,478,778	\$ 82,398

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

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

	Common Shares (#)	Share capital (\$)	Contributed surplus	Warrants	ECCD (1)	Deficit	Total
Balance, December 31, 2022	144,705,029	\$ 17,651,252	\$ 2,515,641	\$ 2,159,065	\$ 442,076	\$ (24,248,234)	\$ (1,480,200)
Shares issued in private placement	10,833,329	1,300,000	-	-	-	-	1,300,000
Issuance of convertible debentures	-	-	-	-	281,621	-	281,621
Shares issue cost	-	(9,375)	-	-	-	-	(9,375)
Warrants expired	-	-	-	(917,429)	-	917,429	-
Net loss for the year	-	-	-	-	-	(2,023,043)	(2,023,043)
Balance, December 31, 2023	155,538,358	\$ 18,941,877	\$ 2,515,641	\$ 1,241,636	\$ 723,697	\$ (25,353,848)	\$ (1,930,997)
Balance, December 31, 2023	155,538,358	\$ 18,941,877	\$ 2,515,641	\$ 1,241,636	\$ 723,697	\$ (25,353,848)	\$ (1,930,997)
Shares issued in private placement	15,900,000	2,170,000	-	-	-	-	2,170,000
Deferred flow-through premium	-	(330,000)	-	-	-	-	(330,000)
Equity portion of convertible debentures	-	-	-	-	117,319	-	117,319
Conversion of convertible debentures	12,500,000	912,263	-	-	(250,530)	-	661,733
Shares issue cost	-	(123,337)	-	-	-	-	(123,337)
Share based compensation	-	-	386,116	-	-	-	386,116
Net loss for the year	-	-	-	-	-	(2,044,711)	(2,044,711)
Balance, December 31, 2024	183,938,358	\$ 21,570,803	\$ 2,901,757	\$ 1,241,636	\$ 590,486	\$ (27,398,559)	\$ (1,093,877)

(1) Equity component of convertible debentures

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

Class 1 Nickel and Technologies Limited
Notes to Consolidated Financial Statements
Years Ended December 31, 2024 and 2023
(Expressed in Canadian Dollars)

1. Nature of operations and going concern

Nature of business

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

Going concern uncertainty

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

For the year ended December 31, 2024, the Company incurred a net loss of \$2,044,711 (year ended December 31, 2023 - \$2,023,043), had negative operating cash flows of \$1,045,537 (December 31, 2023 - \$2,263,484) and has working capital deficit of \$630,399 (December 31, 2023 - working capital \$43,906). The Company has an accumulated deficit of \$27,398,559 since inception (December 31, 2023 - \$25,353,848) and does not have sufficient cash as at December 31, 2024 to meet its expected ongoing obligations over the next twelve months. These factors raise significant doubt about the Company's ability to continue as a going concern.

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

2. Material accounting policies

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of April 22, 2025. The same accounting policies and methods of computation are followed in these consolidated financial statements as compared with the most recent annual financial statements as at and for the year ended December 31, 2024. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2025 could result in restatement of these consolidated financial statements.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on April 22, 2025.

2. Material accounting policies (continued)

Basis of presentation

These consolidated have been prepared on a historical cost basis, with the exception of financial instruments classified at fair value through profit or loss ("FVTPL") as explained in the notes below. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Basis of consolidation

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

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company. All financial information is expressed in Canadian dollars unless otherwise stated and has been rounded to the nearest dollar.

Critical accounting judgments, estimates and assumption

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting year. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statement are discussed below:

Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company title. Such properties may be subject to prior agreement or transfers and titles may be affected by undetected defects.

Non-current asset impairment

The application of the Company's accounting policy for impairment on exploration and evaluation ("E&E") assets requires judgemental in determining if the facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Exploration and evaluation expenditures

The point when an exploration property moves from exploration to development is subject to management's judgemental.

2. Material accounting policies (continued)

Going concern

The assessment of the Company's ability to continue as a going concern involves judgemental regarding future funding available for its exploration projects and working capital requirements.

Use of estimates

The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

Exploration and evaluation properties

The Company expenses exploration costs as incurred, other than those acquired through a business combination. Exploration and evaluation expenditures include acquisition costs of mineral exploration properties, property option payments and evaluation activity.

Exploration and evaluation properties acquired through a business combination are capitalized on the statements of financial position.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

Property option payments received are recognized in the statement of loss and comprehensive loss in the year they are received by the Company except for property option payments on properties obtained through a business combination which are recorded against the capitalized value on the statements of financial position.

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

Restoration, rehabilitation and environmental obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset or expensed if they relate to exploration and evaluation activities, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each year for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

2. Material accounting policies (continued)

Income Taxes

Income tax on the profit or loss for the years 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 tax is recorded using the statement of financial position liability method, providing 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: the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; any differences relating to investments in subsidiaries to the extent that they will probably 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 enacted or substantively enacted at the statement of financial position date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. 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.

Financial instruments

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

i. Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss.

ii. Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at FVTPL: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest". The Company's cash, amounts receivable, and advances are classified as financial assets measured at amortized cost.

2. Material accounting policies (continued)

Financial instruments (continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

i. Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

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

ii. Financial liabilities recorded FVTPL

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

Transaction costs

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Expected credit loss impairment model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's financial statements.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

2. Material accounting policies (continued)

Financial instruments (continued)

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Compound financial instruments

Compound financial instruments issued by the Company are comprised of convertible debentures that can be converted into common shares. The Compound financial instruments are segregated into their liability and equity components or derivative liability components at the date of issue, in accordance with the substance of the contractual agreements. The conversion feature of the convertible debentures is presumed to be classified as a derivative financial liability unless the conversion option exchanges a fixed amount of shares for a fixed amount of cash, in which case it is classified as equity components.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is assigned the residual amount after deducting the fair value of the liability component from the entire instrument. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method while the equity component is not re-measured. Upon conversion, the carrying values of both the liability and equity components are transferred to common shares.

If the conversion feature does not exchange a fixed amount of shares for a fixed amount of cash, the conversion option will be recorded as derivative financial liability and measured at fair value on initial recognition. The debt component is calculated as the difference between the entire instrument and the fair value of the derivative financial liabilities. Subsequently, the derivative financial liability is remeasured at fair value at each reporting date with changes in fair value recognized in the statement of operation for each reporting period. The debt component is accreted to the face value over the term of the instrument using the effective interest method.

Any directly attributable transaction costs are allocated to the respective components: liability, equity components or derivative liability, in proportion to their initial carrying amounts. Transaction costs allocated to equity components are recorded as a deduction from equity, net of any related income tax benefit; cost allocated to the derivative financial liability component are expensed immediately; and cost allocated to the debt component are deducted from its carrying amount and factored into the calculation of the effective interest rate.

Related party transactions

Parties are considered to be related if one party has the ability to directly or indirectly 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 or common significant influence. Related parties 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 that are in the normal course of business and have commercial substance are measured at the exchange amount.

2. Material accounting policies (continued)

New standards not yet adopted

On April 9, 2024, the IASB issued IFRS 18 “Presentation and Disclosure in the Financial Statements” (“IFRS 18”) replacing IAS 1. IFRS 18 introduces categories and defined subtotals in the statement of profit or loss, disclosures on management-defined performance measures, and requirements to improve the aggregation and disaggregation of information in the financial statements. As a result of IFRS 18, amendments to IAS 7 “Statements of Cash Flows” (“IAS 7”) were also issued to require that entities use the operating profit subtotal as the starting point for the indirect method of reporting cash flows from operating activities and to remove presentation alternatives for interest and dividends paid and received. Similarly, amendments to IAS 33 “Earnings per Share” were issued to permit disclosure of additional earnings per share figures using any other component of the statement of profit or loss, provided the numerator is a total or subtotal defined under IFRS 18. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, and is to be applied retrospectively, with early adoption permitted. The Company is currently assessing the impact of the standard on its consolidated financial statements.

On May 30, 2024, the IASB issued narrow scope amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures”. The amendments include the clarification of the date of initial recognition or derecognition of financial liabilities, including financial liabilities that are settled in cash using an electronic payment system. The amendments also introduce additional disclosure requirements to enhance transparency regarding investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments are effective for annual periods beginning on or after January 1, 2026, with early adoption permitted. The Company is currently assessing the impact of the amendments on its consolidated financial statements.

3. Financial instruments

The Company’s risk exposure and the impact on the Company’s financial instruments are described below.

Fair value

Financial instruments recognized at fair value in the statements of financial position have been prioritized into three levels as per the fair value hierarchy. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable market data. All financial instruments measured at fair value, at December 31, 2024, are as described in Note 3.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. The Company’s liquidity and operating results may be adversely affected if the Company’s access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. As at December 31, 2024, the Company does not have sufficient cash and receivables to settle accounts payable and accrued liabilities of \$468,764 (December 31, 2023 - \$502,297).

Market risk

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

Class 1 Nickel and Technologies Limited
Notes to Consolidated Financial Statements
Years Ended December 31, 2024 and 2023
(Expressed in Canadian Dollars)

3 Financial instruments (continued)

Commodity price risk

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

4. Accounts receivable

	As at December 31, 2024	As at December 31, 2023
Harmonized sales tax recoverable - (Canada)	\$ 24,787	\$ 384,260
Advance	3,500	3,500
Total	\$ 28,287	\$ 387,760

5. Mining interests

Alexo-Dundonald Project

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

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

Under the purchase agreements for the Alexo-Kelex and Dundonald properties, the Company must incur an aggregate of \$1,500,000 on the Alexo-Dundonald Project by November 9, 2021, of which the Company must incur at least \$750,000 on the Alexo-Kelex property by October 18, 2021, otherwise the properties may be re-acquired by the vendors thereof. On July 12, 2021, the Company has completed the requisite minimum exploration expenditures on the Alexo-Dundonald Project, and now holds 100% interest in each properties, subject to a 2% net smelter return royalty on the Alexo Property and 2.5% net smelter return royalty on the Dundonald Property.

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

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

Class 1 Nickel and Technologies Limited
Notes to Consolidated Financial Statements
Years Ended December 31, 2024 and 2023
(Expressed in Canadian Dollars)

5. Mining interests (continued)

Alexo-Dundonald Project (continued)

Alexo-Kelex Property

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

	Year Ended December 31, 2024	Year Ended December 31, 2023
Exploration and evaluation	\$ 304,117	\$ 284,212
Field equipment	8,082	8,082
	\$ 312,199	\$ 292,294

Dundonald Property

The Company has spent the following on the Dundonald Property:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Exploration and evaluation	\$ 304,117	\$ 284,212
Field equipment	8,082	8,082
	\$ 312,199	\$ 292,294

Somanike Project

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

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

The Company has spent the following on the Somanike Property:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Exploration and evaluation	\$ 151,022	\$ 387,296
Field equipment	279	279
	\$ 151,301	\$ 387,575

Class 1 Nickel and Technologies Limited
Notes to Consolidated Financial Statements
Years Ended December 31, 2024 and 2023
(Expressed in Canadian Dollars)

5. Mining interests (continued)

River Valley Project

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

The Company has spent the following on the River Valley Property:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Exploration and evaluation	\$ 250	\$ 190,119
Total exploration expenditures	\$ 250	\$ 190,119

Total expenditures all properties:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Exploration and evaluation	\$ 759,506	\$ 1,145,839
Field equipment	16,443	16,443
Total exploration expenditures	\$ 775,949	\$ 1,162,282

6. Convertible debentures

On December 5, 2022, the Company completed a non-brokered private placement of convertible debentures for aggregate proceeds of \$1,000,000. These convertible debentures have a three-year term and bear interest rate at 2% per annum and are convertible at the option of the holder into common shares of the Company at a deemed price of \$0.105.

On December 24, 2022, the Company completed a non-brokered private placement convertible debentures for aggregate proceeds of \$500,000. These convertible debentures have a three-year term and bear interest rate at 2% per annum and are convertible at the option of the holder into common shares of the Company at a deemed price of \$0.11.

On January 9, 2023, the Company completed a non-brokered private placement convertible debentures for aggregate proceeds of \$500,000. These convertible debentures have a three-year term and bear interest rate at 2% per annum and are convertible at the option of the holder into common shares of the Company at a deemed price of \$0.12.

On January 24, 2023, the Company completed a non-brokered private placement convertible debentures (the "Convertible Debentures") for aggregate proceeds of \$450,000. These convertible debentures have a three-year term and bear interest rate at 2% per annum and are convertible at the option of the holder into common shares of the Company at a deemed price of \$0.10. In May 2024, \$450,000 convertible debentures were converted into 4,500,000 common shares at \$0.10 per share, and the carrying value of the liability at amount of \$370,282 and equity component of \$133,211 was transferred to share capital. See ((note 7) (b)). As at December 31, 2024, the accrued interest of \$12,375 was outstanding (2023 - \$9,000).

Class 1 Nickel and Technologies Limited
Notes to Consolidated Financial Statements
Years Ended December 31, 2024 and 2023
(Expressed in Canadian Dollars)

6. Convertible debentures (continued)

On January 12, 2024, the Company completed a non-brokered private placement of convertible debentures (the "Convertible Debentures") for aggregate proceeds of \$400,000. The convertible debentures have a three-year term and bear interest rate at 2% per annum and are convertible at the option of the holder into 8,000,000 common shares of the Company at a deemed price of \$0.05. At initial recognition, \$277,935 was recorded as liability while \$117,319 (net of transaction cost of \$4,746) was recorded as equity. In May 2024, \$400,000 convertible debentures were converted into 8,000,000 common shares at \$0.05 per share, and the carrying value of the liability at amount of \$291,451 was transferred to share capital. See ((note 7) (b)). As at December 31, 2024, the accrued interest of \$2,667 was outstanding (2023 - \$nil).

As the debentures have a conversion feature, the equity and debt components must be bifurcated. The value assigned to the liability on the date of issuance was the present value of the contractually determined stream of future cash flows discounted at 15%, being the estimated rate that the market would apply to an instrument with comparable credit status and provide substantially the same cash flows, on the same terms, but without the conversion option. From the date of issuance, the liability component accretes up to its principal value using the effective interest method, with the charge recorded in finance expenses in the consolidated statement of loss. Finally, the residual balance of proceeds on the offering was assigned to the conversion feature.

The Company recorded as transaction costs \$4,746 for the 2024 and \$1,204 for the 2023 convertible debentures. The issuances of convertible debentures were fully subscribed by the President of the Company. (see note 10)

The components of the Company's convertible debentures as of December 31, 2024 are as follows:

	Liability Component	Equity Component	Total
On date of issuance, net of transaction costs	\$ 1,714,475	\$ 723,697	\$ 2,438,172
Accretion	260,428	-	260,428
Balance as at December 31, 2023	\$ 1,974,903	\$ 723,697	\$ 2,698,600
Accretion	274,621	-	274,621
Issuance, net of transaction costs	277,935	117,319	395,254
Conversion of debentures	(661,733)	(250,530)	(912,263)
Balance, as at December 31, 2024	\$ 1,865,726	\$ 590,486	\$ 2,456,212

During the year ended December 31, 2024, the Company accrued \$274,621 (year ended December 31, 2023 - \$260,428) in finance expenses. As at December 31, 2024, the Company accrued interest payable for \$80,000 included in the convertible debenture liability component.

Class 1 Nickel and Technologies Limited
Notes to Consolidated Financial Statements
Years Ended December 31, 2024 and 2023
(Expressed in Canadian Dollars)

7. Share capital

a) Authorized share capital

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

b) Common Shares issued

	Number of common shares	Amount
Balance, December 31, 2022	144,705,029	\$ 17,651,252
Shares issued in private placement (i)	10,833,329	1,300,000
Share issue cost (i)	-	(9,375)
Balance, December 31, 2023	155,538,358	\$ 18,941,877
Balance, December 31, 2023	155,538,358	\$ 18,941,877
Shares issued in private placement (ii) (iv)	15,900,000	2,170,000
Deferred flow-through premium (iv)	-	(330,000)
Shares Issued for convertible debentures (iii)	12,500,000	912,263
Share issue cost (ii) (iv)	-	(123,337)
Balance, December 31, 2024	183,938,358	\$ 21,570,803

(i) In March 2023, the Company closed a non-brokered private placement of 2,499,997 common shares of the Company at a price of \$0.12 per share to raise aggregate gross proceeds of \$300,000 and paid \$2,275 in legal fees recorded in shared issue cost. A director of the Company subscribed 666,666 of the common shares in the placement. In June 2023, the Company closed a non-brokered private placement of 8,333,332 common shares of the Company at a price of \$0.12 per share to raise aggregate gross proceeds of \$1,000,000 and paid \$7,100 in legal fees recorded in shared issue cost. A total of 4,166,667 of the subscription were subscribed by a party related to a director of the Company.

(ii) During April 2024 and May 2024, the Company closed non-brokered private placements of 10,400,000 common shares of the Company at a price of \$0.05 per share to raise aggregate gross proceeds of \$520,000 and paid \$7,837 in legal fees recorded in shared issue cost. A director of the Company subscribed 1,000,000 of the common shares in the placements.

(iii) In May 2024, the Company converted \$450,000 convertible debentures into 4,500,000 common shares at \$0.10 per share. The carrying value of the liability at amount of \$370,282 and equity component of \$133,211 were transferred to share capital. In May 2024, the Company converted another \$400,000 convertible debentures into 8,000,000 common shares at \$0.05 per share. The carrying value of the liability at amount of \$291,451 and equity component of \$117,319 were transferred to share capital (note 6). A director of the Company fully subscribed the 12,500,000 of the Common Shares (note 10).

(iv) In December 2024, the Company closed non-brokered private placements of 5,500,000 flow through common shares of the Company at a price of \$0.30 per share to raise aggregate gross proceeds of \$1,650,000 and paid \$115,500 in legal fees recorded in shared issue cost. The Company recorded a deferred flow-through premium of \$330,000.

Class 1 Nickel and Technologies Limited
Notes to Consolidated Financial Statements
Years Ended December 31, 2024 and 2023
(Expressed in Canadian Dollars)

8. Stock options

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

During the year ended December 31, 2024, the Company recorded share based compensation of \$386,116 (year ended December 31, 2023 - \$nil).

	Number of stock options	Weighted average exercise price
Balance, December 31, 2022	12,265,835	\$ 0.50
Cancelled	(50,000)	0.11
Balance, December 31, 2023	12,215,835	\$ 0.50
Balance, December 31, 2023	12,215,835	\$ 0.50
Issued (ii)	11,765,502	0.07
Cancelled (i)	(11,765,502)	0.60
Expired	(450,333)	0.19
Balance, December 31, 2024	11,765,502	\$ 0.09

(i) In February 2024, the Company cancelled 11,765,502 stock options with were issued in 2021 and 2022.

(ii) On March 27, 2024, the Company granted 11,765,502 stock options to directors, with an exercise price \$0.07. The options vested immediately, and expire on March 27, 2027. A fair value of \$386,116 was determined using the Black-Scholes option pricing model. The following assumptions were used: dividend yield - 0%; expected volatility 168.35%; risk free interest rate – 3.87%; and an expected life – 3 years.

The following table reflects the actual stock options issued and outstanding as of December 31, 2024:

Expiry date	Exercise price (\$)	Weighted average Remaining contractual life (years)	Total Options	Options Exercisable
March 27, 2027	0.07	2.49	11,765,502	11,765,502
		2.49	11,765,502	11,765,502

Class 1 Nickel and Technologies Limited
Notes to Consolidated Financial Statements
Years Ended December 31, 2024 and 2023
(Expressed in Canadian Dollars)

9. Warrants

The following table reflects the continuity of warrants for years ended December 31, 2024 and 2023:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2022	9,610,434	\$ 0.89
Expired	(3,177,100)	1.02
Balance, December 31, 2023	6,433,334	\$ 0.89
Balance, December 31, 2023	6,433,334	\$ 0.82
Expired	(6,433,334)	0.82
Balance, December 31, 2024	-	\$ -

10. Related party transactions

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

As at December 31, 2024, the Company has due from related party of \$27,291 (December 31, 2023 - \$57,841) from a company with a common shareholder of the Company and advance paid to the general manager.

During the year ended December 31, 2024, the Company incurred \$130,000 (year ended December 31, 2023 - \$100,000) in consulting services fees. As of December 31, 2024, the Company owed \$nil (December 31, 2023 - \$nil) due to the general manager for consultant services recorded in accounts payable and accrued liabilities.

During the year ended December 31, 2024, the Company incurred \$130,000 (year ended December 31, 2023 - \$130,000) in directors fees. As of December 31, 2024, the Company owes two directors \$268,000 (December 31, 2023 - \$168,000) and these amounts are recorded in accounts payable and accrued liabilities.

The Chief Financial Officer ("CFO") of the Company is a senior employee of Marrelli Support Services Inc. ("MSSI"). During the year ended December 31, 2024, the Company incurred professional fees of \$9,000 (year ended December 31, 2023 - \$9,000) to MSSI. These services were incurred in the normal course of operations for general accounting and financial reporting matters. MSSI also provides bookkeeping and other services to the Company and charged \$68,549 for the services (year ended December 31, 2023 - \$75,742). As at December 31, 2024, MSSI was owed \$9,964 (December 31, 2023 - \$6,435) with respect to services provided. The balance owed was recorded in the statement of financial position in accounts payable and accrued liabilities.

As at December 31, 2024, all convertible debentures issued are held by the president of the Company (note 6).

As at December 31, 2024, directors and a significant shareholder of the Company, beneficially own 112,019,656 common shares carrying approximately 60.90% of the voting rights attached to all common shares and convertible debentures for \$2,000,000 at a deemed price of between \$0.105 and \$0.12.

Class 1 Nickel and Technologies Limited
Notes to Consolidated Financial Statements
Years Ended December 31, 2024 and 2023
(Expressed in Canadian Dollars)

10. Related party transactions (continued)

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

	Year Ended December 31,	
	2024	2023
Stock-based compensation	\$ 386,116	\$ -
Directors and management compensation	269,000	239,000
	\$ 655,116	\$ 239,000

11. Income taxes

(a) Provision for income taxes

Major items causing the Company's income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2023 - 26.5%) were as follows:

	Year ended December 31,	
	2024	2023
Loss before income taxes	\$ (2,044,711)	\$ (2,023,043)
Expected income tax benefit based on the statutory rate:	\$ (542,000)	\$ (536,106)
Adjustments to expected income tax benefit:		
Exploration and evaluation expenditures	206,000	308,000
Share issuance cost booked through equity	(57,000)	(40,000)
Change in tax benefit not recognized	393,000	268,106
Income tax expense	\$ -	\$ -

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	December 31, 2024	December 31, 2023
Deductible temporary differences		
Exploration & evaluation properties	\$ 15,958,000	\$ 15,350,000
Non-capital loss carry-forwards and share issue costs	5,990,000	5,259,000
Deductible temporary differences not recognized	\$ 21,948,000	\$ 20,609,000

Class 1 Nickel and Technologies Limited
Notes to Consolidated Financial Statements
Years Ended December 31, 2024 and 2023
(Expressed in Canadian Dollars)

11. Income taxes (continued)

The non-capital loss carry forward expire a noted in the table below.

	Amount
2026	\$ 79,000
2027	6,000
2038	180,000
2039	620,000
2040	1,070,000
2041	1,219,000
2042	1,235,000
2043	1,013,000
2044	608,000
	\$ 6,030,000

12. Commitments and contingencies

Matachewan First Nation ("MFN")

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

Environmental contingencies

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

Flow-through shares

As at December 31, 2024, pursuant to the issuance of flow-through shares in December 2024, the Company is required to incur qualifying expenditures of \$1,650,000 by December 31, 2025, as part of the flow-through funding agreement closing in December 2024 (see note 7). As at December 31, 2024, the Company has spent \$nil related to the flow-through agreement. The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to flow-through participants.

Class 1 Nickel and Technologies Limited
Notes to Consolidated Financial Statements
Years Ended December 31, 2024 and 2023
(Expressed in Canadian Dollars)

13. Financial instruments and risks management

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

Classification	IFRS 9
Cash and cash equivalents	FVTPL
Accounts receivables	Amortized cost
Due from related party	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Deferred flow-through premium	Amortized cost
Convertible debentures	Amortized cost

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

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

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

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

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

During the year ended December 31, 2024, there were no transfers between levels 1, 2 and 3 and there were no changes in valuation techniques.

Credit risk

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

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. As at December 31, 2024, the Company have sufficient cash and cash equivalent, and accounts receivables to settle accounts payable and accrued liabilities of \$468,764 (December 31, 2023 - \$502,297).

Market risk

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

13. Financial instruments and risks management (Continued)

Interest rate risk

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

Foreign currency risk

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

Price risk

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