CLASS 1 NICKEL AND TECHNOLOGIES LIMITED
(FORMERLY LAKEFIELD MARKETING CORP.)

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

(EXPRESSED IN CANADIAN DOLLARS)

Wasserman
Ramsay

Chartered Professional Accountants

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Independent Auditors' Report

To the Shareholders of
Class 1 Nickel and Technologies Limited
(formerly Lakefield Marketing Corp.):

Opinion

We have audited the financial statements of Class 1 Nickel and Technologies Limited (formerly Lakefield Marketing Corp) (the "Company"), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of loss and comprehensive loss, cash flows and changes in equity for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for 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 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 financial statements, which indicates that for the year ended December 31, 2020 the Company incurred losses of $1,734,252 resulting in an accumulated deficit in the amount of $3,300,380 at year end. 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.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

In preparing the 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 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Kevin Ramsay.

Wasserman Ramsay

Markham, Ontario
April 26, 2021

Chartered Professional Accountants
Licensed Public Accountants

Class 1 Nickel and Technologies Limited (formerly Lakefield Marketing Corp.)
Statements of Financial Position
(Expressed in Canadian Dollars)
Audited

		As at December 31, 2020		As at December 31, 2019
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**3,864,804**	$	174,205
Prepaid expenses		**19,286**		7,900
Accounts receivable (note 5)		**129,886**		2,760
Due from related parties (note 9)		**7,345**		14,648
Total assets	**$**	**4,021,321**	$	199,513
EQUITY AND LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (note 9)	**$**	**196,836**	$	48,047
Deferred flow-through premium (note 7)		**300,000**		-
Other payable		**22,008**		22,008
Total liabilities		**518,844**		70,055
Shareholder's equity				
Share capital (note 7)		**5,885,428**		1,695,586
Warrant reserve (note 8)		**917,429**		-
Deficit		**(3,300,380)**		(1,566,128)
Total shareholder's equity		**3,502,477**		129,458
Total shareholder's equity and liabilities	**$**	**4,021,321**	$	199,513

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

Nature of operations and going concern (note 1)
Commitments (note 11)
Subsequent event (note 12)

Approved by the Board of Directors on April 26, 2021

"David Fitch" *Director*

"Matthew Gibertson" Director

Class 1 Nickel and Technologies Limited (formerly Lakefield Marketing Corp.)
Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
Audited

	Year Ended December 31, 2020	Year Ended December 31, 2019
Operating expenses		
Exploration and evaluation (note 6)	**$ 702,751**	$ 733,936
General and administrative (note 9)	**107,092**	81,270
Investor relations	**171,169**	-
Professional fees	**557,400**	555,140
Regulatory	**97,869**	4,501
Travel	**107,414**	-
Loss before the following items	**1,743,695**	1,374,847
Gain on settlement of debt	**(426)**	(15,976)
Listing expense	**-**	227,480
Royalty payments	**(8,952)**	(26,223)
Interest income	**(65)**	-
Net loss and comprehensive loss for the year	**$ (1,734,252)**	$ (1,560,128)
Basic and diluted net loss per share	**$ (0.02)**	$ (0.04)
Weighted average number of common shares outstanding	**97,266,558**	41,263,456

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

Class 1 Nickel and Technologies Limited (formerly Lakefield Marketing Corp.)
Statements of Cash Flows
(Expressed in Canadian Dollars)
Audited

	Year Ended December 31, 2020	Year Ended December 31, 2019
Operating activities		
Net loss for the year	**$ (1,734,252)**	$ (1,560,128)
Adjustments for:		
Shares issued in debt settlement	**(426)**	-
Shares issued for exploration expenditure option payments	**160,000**	-
Changes in non-cash working capital items:		
Accounts receivable and sales tax receivable	**(127,126)**	(17,406)
Other payable	**-**	22,008
Prepaid expenses	**(11,386)**	(7,900)
Amounts payable and other liabilities	**155,074**	42,047
Due from related parties	**7,303**	-
Net cash used in operating activities	**(1,550,813)**	(1,521,379)
Financing activities		
Proceeds from issuance of shares	**5,541,412**	350,000
Shared issued in debt settlement	**-**	1,145,000
Shares issued in connection with RTO	**-**	200,584
Deferred flow-through premium	**(300,000)**	-
Net cash provided by financing activities	**5,241,412**	1,695,584
Net change in cash and cash equivalents	**3,690,599**	174,205
Cash and cash equivalents, beginning of year	**174,205**	-
Cash and cash equivalents, end of year	**$ 3,864,804**	$ 174,205
Supplemental information		
Shares issued for exploration option payment	**160,000**	1,145,000
Shares issued for debt settlement	**6,204**	-

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

Class 1 Nickel and Technologies Limited (formerly Lakefield Marketing Corp.)
Statements of Changes in Equity
(Expressed in Canadian Dollars)
Audited

	Common Shares (#)	Share capital ($)	Warrants	Deficit	Total
Balance, December 31, 2018	**10,029,209**	**$ 2**	**$ -**	**$ (6,000)**	**$ (5,998)**
Units issued in private placement	17,500,000	350,000	-	-	350,000
Units issued for settlement of debt	57,250,000	1,145,000	-	-	1,145,000
Shares issued in connection with RTO	5,250,000	200,584	-	-	200,584
Net loss for the year	-	-	-	(1,560,128)	(1,560,128)
Balance, December 31, 2019	**90,029,209**	**$ 1,695,586**	**$ -**	**$ (1,566,128)**	**$ 129,458**
Shares issued in private placement	14,948,688	4,702,065	839,347	-	5,541,412
Shares issued fro settlement of debt	8,863	6,204	-	-	6,204
Deferred flow-through premium	-	(300,000)	-	-	(300,000)
Shares issue cost	-	(378,427)	-	-	(378,427)
Shares issued for exploration expenditure option payments	234,935	160,000	-	-	160,000
Broker warrants issued			78,082	-	78,082
Net loss for the year	-	-	-	(1,734,252)	(1,734,252)
Balance, December 31, 2020	**105,221,695**	**$ 5,885,428**	**$ 917,429**	**$ (3,300,380)**	**$ 3,502,477**

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

1. Nature of operations and going concern

Nature of business

Class 1 Nickel and Technologies Limited (formerly Lakefield Marketing Corp.) ("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. On August 20, 2020, the Company commenced trading on the Canadian Securities Exchange under the stock symbol "NICO".

Going concern uncertainty

At each reporting year, management assesses the basis of preparation of the financial statements. These financial statements have been prepared on a going concern basis in accordance with 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 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, 2020, the Company incurred a net loss of $1,734,252 (year ended December 31, 2019 - $1,560,128) and had negative operating cash flows of $1,550,813 (December 31, 2019 - $1,521,379l). The Company has an accumulated deficit of $3,300,380 since inception (December 31, 2019 - $1,566,128) and does not have sufficient cash as at December 31, 2020 to meet its expected ongoing obligations over the next twelve months after deducting the $3,355,000 committed to be spent on CEE under terms of the Flow through financings. 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 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.

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, 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 duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions.

The impact of the global and local restrictions has not caused a significant delay in the operations of the Company, however the exploration activities did experience a brief interruption due to municipal lockdown orders.

(Expressed in Canadian Dollars)

2. Reverse take-over transaction

On September 24, 2019, the Company completed a share exchange transaction (the “Transaction”) between the Company, Lakefield Marketing Corp. (“Lakefield”), Legendary Ore Mining Corporation (“Legendary”) and Bloom Management Inc. (“Lakefield Subco”) by way of a “three cornered amalgamation”, whereby Lakefield acquired all of the issued and outstanding shares of Legendary, resulting in the reverse takeover of the Company by Legendary’s former shareholders.

Legendary did not meet the definition of a business. Therefore, the transaction was outside the scope of IFRS 3 Business Combinations. Instead, the Transaction was accounted for under IFRS 2 Share-based Payment. On this basis of accounting, the Company is considered to be a continuation of Legendary, with the net identifiable assets of Lakefield deemed to have been acquired.

The Transaction was completed in accordance with the terms of an amalgamation agreement (the “Amalgamation Agreement”) between the Company, Legendary and Bloom Retail Management Inc. (“Lakefield Subco”), a wholly-owned subsidiary of the Company. On closing of the Transaction, Legendary amalgamated with Lakefield Subco to form a new corporation, which became a wholly-owned subsidiary of the Company continuing under the name “Legendary Ore Mining Corporation”. In exchange for all of the issued and outstanding common shares of Legendary, the Company issued 80 million common shares of the Company to the former Legendary shareholders. As a result, on closing, the former Legendary shareholders held approximately 89% of the 90,029,209 total outstanding shares of the Company.

Immediately prior to the Transaction taking effect, the Company changed its name to “Class 1 Nickel and Technologies Limited Inc.”. Upon the completion of the Transaction, the former directors and officers of the Company resigned from all offices with the Company and new directors and officers were appointed.

A summary of the costs in regards to the Transaction are listed below:

Net assets of Lakefield		
Net assets of Lakefield		
Cash	$	873
Accounts payable, accrued liabilities and other payable		(27,769)
Listing expense		26,896
		200,584

Consideration given by Legendary		
5,250,000 shares of Legendary at a value of $0.02 per share	$	200,584

3. 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 International Financial Reporting Interpretations Committee (“IFRIC”).

The policies applied in these financial statements are based on IFRSs issued and outstanding as of April 26, 2021, the date the Board of Directors approved the statements.

3. Significant accounting policies (continued)

Basis of presentation

These financial statements 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 financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional and presentation currency

These 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 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.

3. Significant 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.

Provisions and contingencies

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.

3. Significant accounting policies (continued)

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.

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.

3. Significant accounting policies (continued)

Financial instruments

Effective January 1, 2018, the Company adopted IFRS 9 - Financial Instruments ("IFRS 9"). In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39 - Financial Instruments: recognition and measurement ("IAS 39"). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis without restating comparatives, however, this adoption had no impact to the Company's financial statements.

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").

<u>Financial assets</u>
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.

<u>Financial liabilities</u>
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.

3. Significant accounting policies (continued)

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.

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).

3. Significant accounting policies (continued)

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.

New standards adopted

Definition of a Business (Amendments to IFRS 3)

The IASB has issued Definition of a Business (Amendments to IFRS 3) to clarify the definition of a business for the purpose of determining whether a transaction should be accounted for as an asset acquisition or a business combination. The amendments:

- clarify the minimum attributes that the acquired assets and activities must have to be considered a business
- remove the assessment of whether market participants can acquire the business and replace missing inputs or processes to enable them to continue to produce outputs
- narrow the definition of a business and the definition of outputs
- add an optional concentration test that allows a simplified assessment of whether an acquired set of activities and assets is not a business

The Company adopted this policy on January 1, 2020 with no material impact to the financial statements.

New standards not yet adopted

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period"
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishments of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2022. There is currently a proposal in place to extend effective date for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

(Expressed in Canadian Dollars)

4. 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 prioritised 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, 2020, 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, 2020, the Company has sufficient cash and receivables to settle accounts payable of $518,844 (December 31, 2019 - $70,055).

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.

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.

5. Accounts receivable

	As at December 31, 2020	As at December 31, 2019
Harmonized sales tax recoverable - (Canada)	**$ 129,886**	$ 2,760
Total	**$ 129,886**	$ 2,760

(Expressed in Canadian Dollars)

6. 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. Most recently, 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.

Alexo-Kelex Property

For the year ended December 31, 2020, the Company has spent the following on the Alexo-Kelex Property:

	Year Ended December 31, 2020	**Year Ended December 31, 2019**
Administrative costs	3,185	-
Exploration and evaluation	205,145	318,050
Field exploration	308	-
	208,638	318,050

Dundonald Property

For the year ended December 31, 2020, the Company has spent the following on the Dundonald Property:

	Year Ended December 31, 2020	**Year Ended December 31, 2019**
Administrative costs	3,185	-
Exploration and evaluation	205,145	318,050
Field equipment	308	-
	208,638	318,050

(Expressed in Canadian Dollars)

6. Mining interests (continued)

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.

	Year Ended December 31, 2020	**Year Ended December 31, 2019**
Acquisition costs	160,000	25,000
Administrative costs	453	3,620
Exploration and evaluation	125,022	69,216
	285,475	97,836

Total expenditures all properties:

	Year Ended December 31, 2020	**Year Ended December 31, 2019**
Acquisition costs	160,000	25,000
Administrative costs	6,823	3,620
Exploration and evaluation	535,312	705,316
Field equipment	616	-
Total exploration expenditures	**702,751**	733,936

(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, 2018	10,029,209	$	2
Shares issued in private placement (i)	17,500,000		350,000
Shares issued for settlement of debt (ii)	57,250,000		1,145,000
Shares issued in connection with RTO (iii)	5,250,000		200,584
Balance, December 31, 2019	90,029,209	$	1,695,586
Shares issued in private placement (iv)	**9,500,000**		950,000
Shares issued for exploration option payments (v)	**234,935**		160,000
Shares Issued for settlement of debt (vi)	**8,863**		6,204
Shares issued in private placement - flow-through (vii)	**5,448,688**		3,752,065
Deferred Flow-through premium (viii)	**-**		(300,000)
Share issue costs (vii and ix)	**-**		(378,427)
Balance, December 31, 2020	**105,221,695**	**$**	**5,885,428**

(i) During the year ended December 31, 2019, the Company completed a nonbrokered private placement of 17,500,000 Common Shares for aggregate proceeds of $350,000. There were no warrants attached to the issuance of these shares.

(ii) During the year ended December 31, 2019, the Company issued 57,250,000 common shares to settle debt of $1,145,000. As a result of this transaction a gain of $15,976 was recorded in the statement of loss. There were no warrants attached to the issuance of these shares.

(iii) During the year ended December 31, 2019, the Company issued 5,250,000 common shares to the shareholders of Lakefield with a listed per unit price of $0.02. The shares were issued in connection with the RTO transaction resulting in the amalgamated entity of Class 1 Nickel and Technologies Limited (formerly Lakefield Marketing Corp.). See note 2.

(iv) On April 22, 2020, the Company closed a nonbrokered private placement of 9,500,000 common shares at $0.10 per share for gross proceeds of $950,000. A director of the Company subscribed for 6,000,000 Common Shares in the placement.

(v) On 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 to earn a 100% undivided interest from Quebec Precious Metals Corporation in the Somanike Property.

(vi) In October 2020, the Company issued 8,863 common shares of the Company to settle debt of $6,204. As a result of this transaction a gain of $426 was recorded in the statement of loss. There were no warrants attached to the issuance of these shares.

(Expressed in Canadian Dollars)

7. Share capital (continued)

(vii) On November 4, 2020 Company closed of the first tranche of the Offering, whereby the Company issued 1,718,445 HD Units for gross aggregate proceeds of $1,202,912 and issued 31,047 non-transferable broker warrants ("Finder Warrants"). On November 13, 2020, the Company closed the second and final tranche of the Offering, whereby the Company issued 2,318,750 FT Units for gross aggregate proceeds of $1,855,000 and 47,857 HD Units for gross aggregate proceeds of $33,500. In connection with the Offering, the Company paid certain eligible persons (the “Finders”) a cash commission and legal financing fees in total of $180,345, and issued 251,423 non-transferable broker warrants (“Finders’ Warrants”) equal to 8.0% of the units issued under the Offering delivered by Finders. Each Finders’ Warrant is exercisable at $1.00 per common share for 36 months from the date of issuance.

On December 16, 2020, the company closed a nonbrokered private placement of 1,363,636 flow-through shares at $1.10 per share for a gross proceeds $1,500,000. The Company paid $120,000 in compensation to certain finders.

(viii) As a result of the flow-through common shares related to the December 15, 2020 being issued at a premium to the market price in recognition of the tax benefits accruing to subscribers; a deferred flow-through premium has been recorded for $300,000. As the Company incurs eligible expenditures against this liability, the Company reduces the liability at the same premium rate and records this as a flow-through premium recovery on the statement of loss.

(ix) Eligible finders were issued 251,423 Flow-Through Broker Warrants ("FT Warrants") for the flow-through financing and 2,925,677 Financing Warrants ("HD Warrants") for the non flow-through financing. Each FT Warrant entitles the holder to acquire one common share at a price of $1 until November 4 and 13, 2023 and December 16, 2023 and each HD Warrant entitles the holder to acquire one common share at a price of $0.70 until November 4 and 13, 2023 and December 16, 2023. The FT Warrants and HD Warrants were given a value of $78,082 and $839,347, respectively; estimated by using a fair value market technique incorporating the Black-Scholes option pricing model, using the following assumptions: a risk-free interest rate of 0.30%; and expected volatility factor of 84%; an expected dividend yield of 0%; and an expected life of 3 years.

8. Warrants

The following table reflects the continuity of warrants for the year ended December 31, 2020 and 20219:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2019 and 2018	-	$ -
Granted (note 7 (vii, ix))	**3,177,100**	1.02
Balance, December 31, 2020	**3,177,100**	$ 1.02

(Expressed in Canadian Dollars)

8. Warrants (continued)

The following table reflects the actual share purchase warrants issued and outstanding as of December 31, 2020:

Expiry date	Grant date fair value ($)	Remaining contractual life (years)	Number of warrants outstanding	Exercise price ($)
November 4, 2023 (2)	467,196	2.84	1,718,445	1.00
November 4, 2023 (1) (Finders warrants)	8,441	2.84	31,047	1.00
November 13, 2023 (2)	372,151	2.87	1,207,232	1.05
November 13, 2023 (1) (Finders wanrrats)	69,641	2.87	220,376	1.00
	917,429		3,146,053	

(1) Broker finder warrants exercisable into units consisting of 1 common share and 1 warrant. Each additional warrant is exercisable at $1 until November 4 and 13, 2023

(2) Exercisable into units consisting of 1 common share and 1 warrant. Each additional warrant is exercisable at $1.05 until November 13, 2023

9. Related party transactions

As at December 31, 2020, the Company has $7,345 in amounts due from a company with common directors of Class 1. The amounts are accrued in the normal course of operation at their exchange value.

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

The Chief Executive Officer ("CEO") of the Company is the principal of Paradise Capital Pty Ltd (“PCPL**”)**. During the year ended December 31, 2020, the Company paid or accrued consulting fees of $137,545 (year ended December 31, 2019 - $126,532) to PCPL. These services were incurred in the normal course of operations for general corporate management matters. As at December 31, 2020, PCPL was owed $29,600 (December 31, 2019 - $4,919) with respect to services provided. The balance owed was recorded in the statement of financial position in accounts payable.

The Chief Financial Officer ("CFO") of the Company is a senior employee of Marrelli Support Services Inc. ("MSSI"). During the year ended December 31, 2020, the Company paid or accrued professional fees of $16,931 (year ended December 31, 2019 - $13,278) 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 $35,173 for the services. As at December 31, 2020, MSSI was owed $Nil (December 31, 2019 - $4,919) with respect to services provided. The balance owed was recorded in the statement of financial position in accounts payable.

As at December 31, 2020, David Fitch, a director of the Company, beneficially owns 40,071,330 Common Shares carrying approximately 38.1% of the voting rights attached to all Common Shares. As at December 31, 2020, Benjamin Cooper, President, CEO and director of the Company, beneficially owns 24,985,000 Common Shares carrying approximately 23.7% of the voting rights attached to all Common Shares. As at December 31, 2020, directors and officers of the Company control an aggregate of 66,804,582 Common Shares carrying approximately 63.5% of the voting right attached to all Common Shares.

(Expressed in Canadian Dollars)

10. 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% (2019 - 26.5%) were as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Loss before income taxes	**$ (1,734,252)**	$ (1,560,128)
Expected income tax benefit based on the statutory rate:	**$ (459,577)**	$ (413,434)
Adjustments to expected income tax benefit:		
Exploration and evaluation expenditures	**186,000**	195,000
Share issuance cost booked through equity	**14,999**	-
Change in tax benefit not recognized	**258,578**	218,434
Income tax expense	**$ -**	$ -

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

	December 31, 2020	December 31, 2019
Deductible temporary differences		
Non-capital loss carry-forwards	**$ 1,992,790**	$ 922,790
Share issue costs	**-**	-
Deductible temporary differences not recognized	**$ 1,992,790**	$ 922,790

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

	Amount
2026	$ 78,000
2027	6,000
2028	900
2029	36,000
2030	28,000
2031	200
2032	160
2033	130
2034	100
2035	100
2036	100
2037	100
2038	153,000
2039	620,000
2040	1,070,000
	$ 1,992,790

11. Commitments and contingencies

Management Contract

The Company has entered into an engagement agreement with Paradise Capital Pty Ltd ("PCPL"), an Australian consulting company of which Mr. Benjamin Cooper is a principal, of an indefinite term, to provide President and CEO services and for Mr. Cooper to undertake the duties and exercise the powers associated with this role. The Company pays PCPL. $150,000 per annum. Upon the occurrence of a change of control or termination without cause, the engagement agreement requires additional contingent payments equal to six months of consulting fees. As a triggering event has not taken place, the contingent payments have not been reflected in these financial statements.

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, 2020, pursuant to the issuance of 3,682,386 flow-through shares during November and December, 2020, the Company is required to incur qualifying expenditures of approximately $3,355,000 by December 31, 2022. As of December 31, 2020 the Company has fulfilled approximately $113,688 of the total commitment.

12. Subsequent event

On February 18, 2021, the Company announced that it has exercised the option to acquire a 100% interest in the Somanike Property pursuant the option agreement dated September 24, 2019, as amended and restated April 27, 2020, between Legendary Ore Mining Corp. (a wholly-owned subsidiary of the Company) and Vanicom Resources Limited (the "Legendary Option Agreement"). Pursuant to the Legendary Option Agreement, the Company has exercised the option granted to Vanicom by Quebec Precious Metals Corporation ("QPMC") under an option agreement dated August 20, 2018, as amended (the "QPMC Option Agreement"), by paying Vanicom $1 plus reimbursing Vanicom for all expenses made on the Somanike Property prior to the Company exercising said option.

The Somanike Property consists of 110 mining titles covering 5146.06 hectares located in the Abitibi area of the Province of Quebec. The Legendary Option Agreement was entered into following a reorganization of Vanicom, whereby Vanicom divested its ownership of Legendary to Vanicom shareholders, which was completed on September 19, 2019.

The Company has previously issued 181,089 common shares of the Company ("Common Shares") to QPMC and 53,846 Common Shares to Globex Mining Enterprises Inc. In order to exercise its option under the Legendary Option Agreement, the Company has paid QPMC an aggregate of $75,000 and has drilled the necessary 750m of core on certain claims held by Globex Mining Enterprises Inc.