

FATHOM NICKEL INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars, unless otherwise stated)

FOR THE THREE MONTHS ENDED MARCH 31, 2022 and 2021

FATHOM NICKEL INC.
Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2022
(unaudited)

NOTICE TO SHAREHOLDERS
MANAGEMENT’S RESPONSIBILITY FOR CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of Fathom Nickel Inc. (“Fathom” or the “Company”) are the responsibility of the Company’s Board of Directors. The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. These unaudited condensed interim consolidated financial statements do not include all of the disclosures required for annual financial statements and therefore should be read in conjunction with Fathom’s audited annual financial statements and notes thereto for the year ended December 31, 2021. These unaudited condensed interim consolidated financial statements follow the same significant accounting policies and methods of application as those included in Fathom’s most recent audited annual financial statements. Management acknowledges responsibility for the preparation and presentation of the financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to Fathom’s circumstances. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34, Interim Financial reporting using accounting policies consistent with IFRS appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim consolidated financial statements and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of Fathom, as of the date of, and for the period presented by, the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities.

Management recognizes its responsibility for conducting Fathom’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Signed “Brad Van Den Bussche”

President & Chief Executive Officer

Signed “Douglas Porter”

Chief Financial Officer

NOTICE OF NO AUDITOR INVOLVEMENT

The accompanying unaudited condensed interim consolidated financial statements of Fathom have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements as at and for the three months ended March 31, 2022 have not been reviewed by Fathom’s auditors.

FATHOM NICKEL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT (Unaudited)

	<i>Note</i>	Mar 31, 2022	Dec 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents		\$ 5,071,674	\$ 8,087,554
Interest receivable		2,083	1,450
Goods and services tax receivable	7	441,046	308,883
Deposits and prepaids		337,923	195,758
		\$ 5,852,726	\$ 8,593,645
Non-current assets			
Exploration and evaluations assets	5	\$ 8,069,567	\$ 5,519,697
Right of use asset, net	6	257,763	268,970
Capital assets, net		14,922	6,682
		8,342,252	5,795,349
Total assets		\$ 14,194,978	\$ 14,388,994

EQUITY AND LIABILITIES

Current liabilities

Accounts payable and accrued liabilities		\$ 313,445	\$ 235,556
Flow through premium liability	8	368,062	1,000,000
Current portion of lease obligation	6	26,005	12,316
		707,512	1,247,872
Lease obligation		250,061	261,247
Total liabilities		\$ 957,573	\$ 1,509,119

Equity

Share capital	8	\$ 16,958,381	\$ 17,000,721
Contributed surplus	8	1,572,248	1,244,908
Deficit		(5,293,224)	(5,365,754)
		13,237,405	12,879,875
Total equity and liabilities		\$ 14,194,978	\$ 14,388,994

Commitments 11

Approved on behalf of the Board on May 30, 2022:

Signed: "Eugene Chen"

Signed: "Brad Van Den Bussche"

FATHOM NICKEL INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE PERIODS ENDED MARCH 31, 2022 and 2021
(unaudited)**

	<i>Note</i>	2022	2021
Expenses			
Finance expense	4	\$ -	\$ 2,672,145
Share based compensation	8	285,000	381,000
Administrative consulting fees		66,285	42,900
External consultants		66,000	51,000
Legal and accounting		29,718	110,817
Insurance		22,764	18,325
Advertising and promotion		22,217	-
Market making services		21,000	-
Depreciation		12,056	-
Exchange, transfer agent and commission fees		9,846	29,546
Telecommunications		8,851	5,790
Dues, fees and subscriptions		8,395	1,500
Shareholder communications		3,981	-
Interest on lease liability		2,503	-
Travel and entertainment		2,263	5,408
Office supplies		1,551	1,107
Bank charges		1,219	747
Office rent		603	-
Operating loss		564,252	3,320,285
Flow through premium renounced	8	(631,938)	-
Interest income		(4,844)	-
Net (income)/loss and comprehensive (income)/loss		\$ (72,530)	\$ 3,320,285
Net (income)/loss per share	9	\$ 0.00	\$ 0.14
Weighted average outstanding shares	9	55,311,393	23,270,731

FATHOM NICKEL INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED MARCH 31, 2022 and 2021 (Unaudited)

	Note	Share Capital			Contributed surplus	Deficit	Total
		Common Shares	Special Warrants	Amount			
Balance, December 31, 2020		12,495,037	-	\$ 1,994,392	\$ 94,200	\$ (608,326)	1,480,266
Common shares issued on completion of the RTO by Fathom Minerals Ltd.	4	13,295,038	-	2,659,007	-	-	2,659,007
Common shares issued for cash, net of share issue costs	8	3,675,000	-	719,065	-	-	719,065
Flow-through special warrants issued for cash, net of share issue costs	8	-	3,129,317	2,030,744	-	-	2,030,744
Non flow-through special warrants issued for cash, net of share issue costs	8	-	12,486,323	-	-	-	-
Non flow-through special warrants issued for services	8	-	230,678	161,475	-	-	161,475
Unrenounced flow-through share premium	8	-	-	(625,863)	-	-	(625,863)
Fair value of compensation options	8	-	-	(46,297)	214,340	-	168,043
Fair value of broker warrants		-	-	(34,879)	-	-	(34,879)
Fair value of options		-	-	-	381,000	-	381,000
Loss and comprehensive loss		-	-	-	-	(3,320,285)	(3,320,285)
Balance, March 31, 2021		29,465,075	15,846,318	\$ 6,857,644	\$ 689,540	\$ (3,928,611)	3,618,573
Conversion of flow-through special warrants into common shares	8	3,129,317	(3,129,317)	1,542,523	-	-	1,542,523
Conversion of non flow-through special warrants into common shares	8	12,486,323	(12,486,323)	6,154,836	-	-	6,154,836
Conversion of non flow-through special warrants into common shares	8	230,678	(230,678)	113,707	-	-	113,707
Flow-through shares issued for cash, net of share issue costs	8	10,000,000	-	3,332,011	-	-	3,332,011
Unrenounced flow-through share premium	8	-	-	(1,000,000)	-	-	(1,000,000)
Fair value of options		-	-	-	555,368	-	555,368
Fair value of broker warrants	8	-	-	(42,340)	42,340	-	-
Loss and comprehensive loss		-	-	-	-	(1,437,143)	(1,437,143)
Balance, December 31, 2021		55,311,393	-	\$ 16,958,381	\$ 1,287,248	\$ (5,365,754)	12,879,875
Fair value of options		-	-	-	285,000	-	285,000
Income and comprehensive income		-	-	-	-	72,530	72,530
Balance, March 31, 2022		55,311,393	-	\$ 16,958,381	\$ 1,572,248	\$ (5,293,224)	13,237,405

FATHOM NICKEL INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS ENDED MARCH 31, 2022 and 2021 (Unaudited)

	2022	2021
Cash flows from operating activities		
Net (income)/loss for the year	\$ 72,530	\$ (3,320,285)
Add back / Deduct non cash expenses		
Finance expense	-	2,672,145
Stock based compensation	285,000	381,000
Reversal of flow-through liability	(631,938)	-
Depreciation	12,056	-
Interest on lease liability	2,503	-
	(259,849)	(267,140)
Working capital changes		
Goods and services tax receivable	(132,163)	(52,006)
Interest receivable	(633)	
Prepays and deposits	(142,165)	(42,681)
Accounts payable and accrued liabilities	77,889	707,432
Cash flows used in operating activities	(456,921)	345,605
Cash flows from investing activities		
Property and equipment	(9,089)	(5,616)
Exploration and evaluation assets	(2,549,870)	(946,179)
Cash flows used in investing activities	(2,558,959)	(951,795)
Cash flows from financing activities		
Issue of common shares for cash	-	719,065
Issue of special warrants for cash, net of share issuance costs	-	10,136,449
Repayment of amounts due to directors	-	(1,991)
Cash provided by financing activities	-	10,853,523
Net change in cash	(3,015,880)	10,247,333
Cash, beginning of period	8,087,554	9,270
Cash, end of period	\$ 5,071,674	\$ 10,256,603

FATHOM NICKEL INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED MARCH 31, 2022 and 2021

1. REPORTING ENTITY

Fathom Minerals Ltd. (“FML”) is an exploration stage company engaged in locating, acquiring and exploring for base and precious metals in Canada. FML was incorporated pursuant to the Business Corporations Act (Alberta) on April 27, 2012. On January 22, 2021, FML acquired 100% of Fathom Nickel Inc. (“FNI” or the “Company”), a privately-held Alberta corporation, in a reverse takeover (“RTO”) transaction. The RTO was effected by means of a share-for-share exchange under which the former shareholders of FML acquired control of FNI. (Note 4). On May 25, 2021 FNI commenced trading on the CNSX under the symbol FNI. The comparative figures presented are those of FML.

The condensed interim consolidated financial statements (“interim financial statements”) as at and for the three months ended March 31, 2022 comprise all entities in which FNI has a controlling interest. The consolidated entity is referred to as the Company or Fathom Nickel Inc. Intercompany balances and transactions are eliminated on consolidation.

The address of the Company's corporate office and principal place of business is #730, 521 – 3rd Avenue SW, Calgary, Alberta, T2P 3T3.

The interim financial statements were authorized for issue by the board of directors on May 30, 2022.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These interim financial statements for the three months ended March 31, 2022 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”) and should be read in conjunction with FML’s audited annual financial statements for the fiscal year ended December 31, 2021.

2.2 Significant estimates and assumptions

The preparation of the Company’s interim financial statements requires management to make judgments, assumptions and estimates that affect the reported amounts of assets and liabilities at the date of the interim financial statements and the reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events which are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to FML’s annual financial statements as at and for the year ended December 31, 2021. The following are certain specific estimates and judgements made during the period ended March 31, 2022:

- The fair value of stock options issued using the Black Scholes option pricing model;
- Management assumption of no material restoration, rehabilitation and environmental costs, based on the facts and circumstances that existed during the period;
- The recoverability of deferred tax assets and liabilities; and

FATHOM NICKEL INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED MARCH 31, 2022 and 2021

2. BASIS OF PRESENTATION (continued)

- The Company finances some exploration and evaluation expenses through the issuance of flow-through shares and flow-through special warrants. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. The difference (“premium”) between the amounts recognized in common shares and the amount the investors pay for the shares is recognized as a flow-through share related liability which is reversed into the statement of loss and comprehensive loss as a recovery of deferred income taxes when the eligible expenditures are incurred. The amount recognized as a flow-through share liability represents the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares, net of allocated issue costs.

During and subsequent to the period end, there was a continued global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. Uncertainties may continue to arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the full extent of the impact is unknown, we anticipate this outbreak may cause additional negative impacts on the Company’s business and financial condition.

2.3 Basis of measurement

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

2.4 Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES:

The financial framework and accounting policies applied in the preparation of these interim financial statements are consistent with the policies disclosed in Notes 3 and 4 of the audited annual financial statements of FML for the year ended December 31, 2021.

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NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED MARCH 31, 2022 and 2021

4. REVERSE TAKE-OVER

Pursuant to a Share Purchase Agreement (the “SPA”) dated January 6, 2021, the Company agreed to acquire 100% of the issued and outstanding common shares of FML via a share-for-share exchange (the “Transaction”). Each former shareholder of FML shareholder received one (1) share of the Company in exchange for each share of FML beneficially owned. As FNI was an entity with no operations, it did not meet the definition of a business under IFRS 3. Accordingly, the Transaction is accounted for as a reverse acquisition along with a share-based payment in accordance with IFRS 2. The Transaction closed on January 22, 2021. Immediately upon closing of the Transaction, the original shareholders of FNI held 13,295,038 common shares. There were 25,790,075 shares outstanding at that date of which former shareholders of FML held 48.4%. After the Transaction, the Management and Directors of FML were appointed to their respective Board and Management positions with the Company. As a result, the acquirer is determined to be FML. The shares held by the original shareholders of FNI were valued at a price of \$0.20/share for a total transaction value of \$2,659,007. The fair value of the Company was determined based on the number of shares issued to shareholders of FNI at a price of \$0.20/share around the time of the Transaction.

\$2,659,007 has been allocated as follows:

Accounts payable and accrued liabilities	\$ (13,138)
Finance expense	<u>2,672,145</u>
	<u>\$ 2,659,007</u>

Consideration comprised of:

Fair value of common shares	<u>\$ 2,659,007</u>
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5. EXPLORATION AND EVALUATION ASSET

Albert Lake Exploration & Evaluation Asset

	Period ended	Year ended
	Mar 31, 2022	Dec. 31, 2021
Balance beginning of period – Albert Lake Property	\$ 5,519,697	\$ 1,483,587
Acquisition cost and leases	175,000	35,120
Exploration (Note x)	2,374,870	4,050,990
Saskatchewan TMEI payment	-	(50,000)
Balance end of year – Albert Lake Property	\$ 8,069,567	\$ 5,519,697

As at March 31, 2022, the Company’s 100% owned Albert Lake Property was comprised of 28 contiguous mineral dispositions (totaling 90,144 hectares) issued by and registered with the Saskatchewan Ministry of Energy and Resources. The Albert Lake Property is located approximately 135 kilometers northwest of La Ronge in north central Saskatchewan.

The Company is required to incur annual minimum work program expenditures ranging between \$15.00 and \$25.00 per hectare in order to maintain title to the dispositions. Excess qualifying exploration expenditures can be carried forward indefinitely to be applied to future years’ work requirements. The Company is required to incur annual qualifying expenditures that will increase to approximately \$1.4 million per year beginning

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NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED MARCH 31, 2022 and 2021

5. EXPLORATION AND EVALUATION ASSET (continued)

in 2023 in order to maintain all dispositions in good standing. However, based on available expenditures carried-forward from prior years, the minimal required expenditure for 2022 and 2023 is \$nil.

The initial six mineral dispositions, totaling 10,439 hectares, were acquired from Uravan Minerals Inc. in April 2015 in exchange for the issuance of 2,000,000 common shares of the Company. This original 10,439 hectares was subject to a 2% net smelter return (“NSR”) royalty interest pertaining to any future commercial production from the associated mineral dispositions. However, during the period ended March 31, 2022, the Company purchased this Uravan NSR for a one-time payment of \$175,000.

On June 8, 2015, the Company acquired an additional 1,348 hectares in two mineral dispositions from an individual land consultant in exchange for the issuance of 500,000 common shares of the Company and a cash payment of \$5,000. The 1,348 hectares covered by the purchase agreement are subject to a 1% NSR royalty interest pertaining to any future commercial production from the associated mineral dispositions. The NSR can be acquired at any time, at the option of the Company, for cash payments totaling \$500,000.

The Company acquired the final 20 mineral dispositions directly through the staking system of the Saskatchewan Ministry of Energy and Resources during the period from 2016 through 2021.

The Saskatchewan Targeted Mineral Exploration Incentive (“TMEI”) provides for a 25% rebate on qualified eligible mineral exploration expenditures, up to an annual limit of \$50,000. The Company qualified for the full \$50,000 TMEI rebate in 2021 and is expected to qualify for the full \$50,000 rebate in 2022. TMEI rebates are recorded as a reduction to the exploration and evaluation asset at the Albert Lake project.

6. RIGHT OF USE ASSET

	<u>March</u> 2022	<u>Dec</u> 2021
Balance beginning of period	\$ 268,970	\$ -
Additions	-	272,706
Depreciation	(11,207)	(3,736)
Balance end of year	\$ 257,763	\$ 268,970

Depreciation for the right of use asset is recorded in non-current assets on the consolidated statement of financial position. As lease liability of \$276,066 related to the right of use asset is recorded as lease obligation (current and non-current) in the consolidated statement of financial position.

The lease payments related to the lease liabilities are as follows:

2022	\$ 12,737
2023	55,748
2024	56,793
2025	59,200
2026+	124,722
	\$ 309,200
Implied interest	(33,134)
	\$ 276,066

FATHOM NICKEL INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED MARCH 31, 2022 and 2021

7. GOODS AND SERVICES TAX AND OTHER RECEIVABLES

	March 31, 2022	Dec 31, 2021
Goods and Services Tax	\$ 443,129	\$ 310,333

8. SHARE CAPITAL

Authorized: Unlimited number of common shares without a value

	Period ended Mar 31, 2022	Year ended Dec 31, 2021
	Number of common shares	
Balance, beginning of period	55,311,393	12,495,037
Issued on completion of the RTO (Note 4)	-	13,295,038
Issued for cash, pre-IPO (i)	-	3,675,000
Issued on conversion of Special Warrants (iii)	-	15,846,318
Issued for cash pursuant to prospectus FT financing (iv)	-	10,000,000
Balance, end of period	55,311,393	55,311,393
Balance, beginning of period	\$ 16,958,381	\$ 1,994,392
Issued on completion of the RTO (Note 4)	-	2,659,007
Issued for cash (i)	-	719,065
Issued on conversion of NFT Special Warrants (iii)	-	7,768,726
Issued on conversion of FT Special Warrants (iii)	-	2,111,043
Flow through premium liability	-	(1,625,863)
Issued for cash pursuant to prospectus FT financing (iv)	-	3,332,011
Balance, end of period	\$ 16,958,381	\$ 16,958,381

Special Warrants

	Period ended Mar 31, 2022	Year ended Dec 31, 2021
	Number of Special Warrants	
Balance, beginning of period	-	-
Issued for cash (ii)	-	15,615,640
Issued for services(ii)	-	230,678
Converted to common shares upon CSE listing (iii)	-	(15,846,318)
Balance, end of period	-	-
Balance, beginning of period	\$ -	\$ -
Issued for cash, net of share issuance costs (ii)	-	9,760,634
Issued for services (ii)	-	161,475
Special warrant liability (ii), (iii)	-	(7,811,066)
Flow through premium liability (ii)	-	(625,863)
Transfer flow through premium to common shares (ii)	-	625,863
Conversion of FT Special Warrants to common shares (iii)	-	(2,111,043)
Balance, end of period	\$ -	\$ -

FATHOM NICKEL INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED MARCH 31, 2022 and 2021

8. SHARE CAPITAL (continued)

- (i) Subsequent to the closing of the Transaction described in Note 6, the Company completed a private placement of 3,675,000 common shares (the "Private Placement") at a price \$0.20 per share for gross proceeds of \$735,000. The Private Placement was sold on a non-brokered basis to accredited investors. The Company incurred issuance costs of \$15,935 related to the private placement.
- (ii) On March 15, 2021, FNI completed a brokered financing of 12,486,323 Non-Flow Through Special Warrant Units (the "NFT Special Warrant Units ") at a price \$0.70 per NFT Special Warrant Unit and, 3,129,317 Flow Through Special Warrant Units (the "FT Special Warrant Units") at a price \$0.77 per FT Special Warrant for gross proceeds of \$11,150,000. Together the NFT Special Warrant Units and the FT Special Warrant Units are referred to as "Special Warrants". Each FT Special Warrant was exchangeable, at no additional cost, into one FNI common share. Each NFT Special Warrant Unit was exchangeable, at no additional cost, into one FNI common share and one half of one FNI share purchase warrants ("FNI Unit"). However, had the final receipt for the non-offering prospectus not been obtained within 60 days of the closing of the Special Warrant financing (ie, May 14, 2021), then, as a penalty to the Company, each holder of a NFT Special Warrant would have been entitled to 1.15 Units per Special Warrant instead of one (1) Unit. As a result, and because the number of common shares to be issued on conversion of the NFT Special Warrant Units was variable, the net proceeds related to the NFT Special Warrant Units was presented as a liability from the date of closing of the Special Warrant Financing through the date of conversion. See paragraph (v) below.

Each full FNI share purchase warrant entitles the holder to purchase one FNI common share at an exercise price of \$1.00 per FNI common share within two years of the Listing Date.

Each NFT Special Warrant was deemed to be automatically exercised immediately on the earlier of:
(i) the date that is the fifth Business Day after the date on which the receipt for a final prospectus qualifying the distribution of the NFT Shares issuable upon the exercise or deemed exercise of the NFT Special Warrants has been issued by the last of the Securities Regulators in a Designated Jurisdictions; and (ii) the date that is 4 months and one day after the issuance of the NFT Special Warrant. The Company received the receipt for the final prospectus on May 13, 2021, thus triggering the automatic conversion of the Special Warrants into FNI common shares and FNI Units as at May 18, 2021 (see (v) below). As the receipt for the final prospectus was obtained prior to the 60th day from the closing of the Special Warrant financing, no penalty was applied and each NFT Special Warrant Holder received 1.0 Units on conversion.

As FNI's was not yet trading then, the flow through premium liability associated with the issuance of the FT Special Warrants was calculated at \$0.20 per FT Special Warrant, based on a share price of \$0.57, which in turn was estimated by determining the standalone value of a warrant using the Black-Scholes model and subtracting this from the unit price. The following weighted average assumptions were used: (I) dividend yield of 0%; (II) expected volatility of 110%; (III) a risk free interest rate of 1%; (IV) an expected life of 2 years and (V) a Special Warrant price of \$0.70. Expected volatility was based on comparable companies. This resulted in a flow through premium liability of \$625,863.

In connection with the issuance of the Special Warrants the Company paid \$1,013,551 in fees. It also issued 230,678 NFT Special Warrants issued to the Agents which were valued at the NFT Special Warrant price of \$0.70 per NFT Special Warrant as described above, resulting in a fair value of \$161,475. The agents were also granted 1,071,669 broker special warrants, exercisable at a price of \$0.70 per broker warrant into one common share and 1/2 common share purchase warrant of FNI for a period of two years from the date of the closing of the financing, or March 15, 2023. Each whole common share purchase warrant, in turn, is exercisable into one (1) common share at a price

FATHOM NICKEL INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED MARCH 31, 2022 and 2021

8. SHARE CAPITAL (continued)

of \$1.00 per share for a period of two years from the closing of the financing, or March 15, 2023.

The fair value of the common share purchase warrants issued were estimated at the date of grant using the Black-Scholes model with the following weighted average assumptions: (I) dividend yield of 0%; (II) expected volatility of 110%; (III) a risk free interest rate of 1%; (IV) an expected life of 2 years and (V) a Special Warrant price of \$0.70. Expected volatility was based on comparable companies. This resulted in a fair value of \$0.20 per broker warrant for a total of \$214,340.

The total share issuance costs for the issuance of the Special Warrants amounted to \$1,389,366.

- (iii) On May 18, 2021, 5 days after the final receipt of the final non-offering prospectus, each outstanding NFT Special Warrant Units automatically converted into one FNI common share and one half of one FNI share purchase warrant. On conversion, the outstanding Special Warrant Liability of \$7,811,066 was eliminated and Share Capital was increased by this amount.

On May 18, 2021 each outstanding FT Special Warrant was converted into one FNI common share valued, net of fees and expenses, at \$2,111,043.

- (iv) On November 29, 2021, FNI completed a brokered financing of 10,000,000 flow through shares at a price \$0.40 per share for gross proceeds of \$4,000,000.

The flow through premium liability associated with the issuance of the flow through shares was calculated at \$0.10 per flow through share, based on a market price of \$0.30 per share on the closing date of the financing, and subtracting this from the unit price. This resulted in a flow through premium liability of \$1,000,000.

In connection with the issuance of the flow through shares the Company paid \$280,000 in fees. The agents were also granted 280,000 broker warrants, exercisable at a price of \$0.40 per broker warrant into one common share of FNI for a period of two years from the date of the closing of the financing, or November 29, 2023.

The fair value of the broker warrants issued were estimated at the date of grant using the Black-Scholes model with the following weighted average assumptions: (I) dividend yield of 0%; (II) expected volatility of 110%; (III) a risk free interest rate of 1%; (IV) an expected life of 2 years and (V) a broker warrant price of \$0.40. Expected volatility was based on comparable companies. This resulted in a fair value of \$0.15 per broker warrant for a total of \$42,340.

The total share issuance costs for the issuance of the flow through shares amounted to \$387,989, exclusive of the agent's \$280,000 as noted above.

FATHOM NICKEL INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED MARCH 31, 2022 and 2021

8. SHARE CAPITAL (continued)

Stock option plan

The Company has a stock option plan to provide employees, directors, officers and consultants with options to purchase common shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock on the day of grant and the maximum term of option is four years. Options vest immediately upon issuance. The maximum number of shares which may be issued under the program shall not exceed 10% of the issued and outstanding shares. The following summarizes the employees, directors, officers and consultants stock options that have been granted, exercised, expired, vested or cancelled during the period ended March 31, 2022 and December 2021:

	Number of Options Issued and Vested	Weighted Average Exercise Price
Balance, Dec 31, 2020	-	\$ -
Granted	3,000,000	0.70
Balance, December 31, 2021	3,000,000	\$ 0.70
Granted	1,200,000	0.22
Balance, December 31, 2021	4,200,000	\$ 0.56

The fair value of the options issued in 2021 were estimated at the date of grant using the Black-Scholes model with the following weighted average assumptions: (I) dividend yield of 0%; (II) expected volatility of 110%; (III) a risk-free interest rate of 1%; (IV) an expected life of 5 years and (V) a common share price of \$0.57. Expected volatility was based on comparable companies. This resulted in a fair value of \$0.44 per options for a total of \$1,306,144. The options vest 1/3 at the grant date, 1/3 on 1st on the first anniversary and 1/3 on 2nd on the second anniversary.

The fair value of the options issued in the three-month period ended March 31, 2022 were estimated at the date of grant using the Black-Scholes model with the following weighted average assumptions: (I) dividend yield of 0%; (II) expected volatility of 110%; (III) a risk-free interest rate of 1%; (IV) an expected life of 5 years and (V) a common share price of \$0.21. Expected volatility was based on comparable companies. This resulted in a fair value of \$0.16 per options for a total of \$205,515. The options vest 100% at the grant date.

During the year, the Company granted 115,000 restricted share units (RSUs) to officers of the Company. The RSUs vest 1/3 on 1st on the first anniversary, 1/3 on 2nd on the second anniversary, and 1/3 on 3rd on the third anniversary. Stock based compensation shares related to the RSUs for the period ending December 31, 2021 was not material.

Warrants

Other than warrants issued in connection with the special warrants noted above there were no other warrants issued during the period or outstanding at December 31, 2021 or December 31, 2020.

FATHOM NICKEL INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED MARCH 31, 2022 and 2021

9. EARNINGS/LOSS PER SHARE

The calculation of basic income/loss per share for the three-month period ended March 31, 2022 of \$Nil (2021 – loss of \$0.14) was based on the income attributable to shareholders of the Company of \$72,530 (2021 – loss of \$3,320,285), and a weighted average number of common shares of 55,311,393 (2021 - 23,270,731).

10. RELATED PARTIES

The following related party transactions occurred and were charged in the financial statements during the periods ended March 31, 2022 and 2021 as follows:

	Mar 31, 2022	Mar 31, 2021
Administrative and exploration-related consulting fees:		
Administrative consulting fees were charged by officers for corporate administrative and financial management services	\$ 66,285	\$ 42,900
Consulting fees were charged by officers for geological management of the Company's exploration and evaluation asset (Note 5)	\$ 50,865	\$ 29,100
Legal fees charged by a law firm of which a director of the Company is a partner	\$ 13,668	\$ 202,634

Amounts accrued and paid as administrative consulting fees are expensed disclosed in the Statement of Loss as administrative consulting fees. Amounts accrued and paid as geological consulting fees are capitalized to the exploration and evaluation asset account (Note 5). Legal fees associated with equity financings are disclosed as a share issuance cost and recorded as a reduction to share capital. Legal fees on account of general corporate and other non-financing matters are expensed in the Statement of Loss as legal and accounting fees.

At the period end, the Company owed the respective holding companies owned by officers of the Company for administrative and geological consulting fees \$ Nil (March 31, 2021 - \$ Nil).

11. COMMITMENTS AND CONTINGENCIES

The Company completed two flow-through financings during the year ended December 31, 2021 for total gross proceeds of \$6,409,574 (Note 8). The first tranche of \$2,409,574 flow-through financing was completed on March 15, 2021. Between April and November 2021, the Company incurred sufficient qualifying exploration and development expenditures to fully satisfied its spending requirements related to this first tranche flow-through obligation. Thus, the Company derecognized the first tranche flow through premium of \$625,863. The second tranche of \$4,000,000 flow-through financing was completed on November 29, 2021. In December 2021, the Company incurred \$154,880 of qualifying exploration expenditures. During the period ended March 31, 2022, the Company incurred \$2,374,870 in qualifying exploration expenditures, leaving a remaining spending commitment of \$1,472,250 raised through flow-through financing in 2021 on eligible Canadian exploration and development expenses prior to December 31, 2022

At December 31, 2020, the Company was required to incur the \$53,300 of exploration expenses in order

FATHOM NICKEL INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED MARCH 31, 2022 and 2021

11. COMMITMENTS AND CONTINGENCIES (continued)

to fulfill its spending obligations. During 2021 the Company fulfilled its spending obligations on eligible expenditures at its Albert Lake project related to this \$53,300 obligation.

As disclosed in Exploration and Evaluation Asset (Note 5), the Company is required to incur annual minimum work program expenditures ranging between \$15.00 and \$25.00 per hectare in order to maintain title to the dispositions. Excess qualifying exploration expenditures can be carried forward indefinitely to be applied to future years' work requirements. At March 31, 2022, all of the Company's mineral dispositions were in good standing and did not require any level of expenditure to remain in good standing through the end of 2022.

The Company's activities are subject to environmental regulation (including regular environmental impact assessments and permitting) in each of the jurisdictions in which its mineral properties are located. Such regulations cover a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour relations and worker safety. The Company may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. It is likely that environmental legislation and permitting will evolve in a manner which will require stricter standards and enforcement. This may include increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a higher degree of responsibility for companies, their directors and employees.

The Company has not determined and is not aware that any provision for such costs is required and is unable to determine the impact on its financial position of environmental laws, if any, and regulations that may be enacted in the future due to the uncertainty surrounding the form that these laws and regulations may take.