

**FATHOM NICKEL INC.**

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

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 and 2021**

**FATHOM NICKEL INC.**  
**Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 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 “Ian Fraser”

Chief Executive Officer &  
Vice President Exploration

Signed “Douglas Porter”

President & 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 and nine months ended September 30, 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>	September 30, 2022	December 31, 2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 1,933,692	\$ 8,087,554
Goods and services tax receivable	7	488,022	308,883
Deposits and prepaids		653,916	195,758
Interest receivable		4,411	1,450
		<b>3,080,041</b>	<b>8,593,645</b>
<b>Non-current assets</b>			
Exploration and evaluations asset	5	\$ 9,864,205	\$ 5,519,697
Right of use asset, net	6	235,349	268,970
Property and equipment		13,408	6,682
		<b>10,112,962</b>	<b>5,795,349</b>
<b>Total assets</b>		<b>\$ 13,193,003</b>	<b>\$ 14,388,994</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 253,659	\$ 235,556
Flow-through premium liability	8	-	1,000,000
Current portion of lease obligation	6	55,584	12,316
		<b>309,243</b>	<b>1,247,872</b>
Lease obligation		225,643	261,247
<b>Total liabilities</b>		<b>534,886</b>	<b>1,509,119</b>
<b>Equity</b>			
Share capital	8	\$ 16,971,881	\$ 17,000,721
Contributed surplus		1,733,098	1,244,908
Deficit		(6,046,862)	(5,365,754)
		<b>12,658,117</b>	<b>12,879,875</b>
<b>Total equity and liabilities</b>		<b>\$ 13,193,003</b>	<b>\$ 14,388,994</b>
<b>Commitments and contingencies</b>	11		
<b>Events after the reporting period</b>	12		

Approved on behalf of the Board on November 29, 2022:

"Signed"  
Eugene Chen, Director

"Signed"  
Ian Fraser, Director

# FATHOM NICKEL INC.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS FOR THE PERIODS ENDED SEPTEMBER 30, 2022 and 2021 (unaudited)

	Note	Three Months Ended Sept 30		Nine Months Ended Sept 30	
		2022	2021	2022	2021
<b>Expenses</b>					
Finance expense	4	\$ -	\$ -	\$ -	2,672,145
Share based compensation	8	80,425	141,500	445,850	662,500
Administrative consulting	10	273,740	67,696	406,310	169,086
External consultants		74,729	73,000	206,729	559,129
Advertising and promotion		174,686	118,837	196,904	128,801
Legal and accounting		4,220	34,425	119,288	271,766
Insurance		26,367	27,641	74,372	45,966
Market making services		21,000	-	63,000	-
Commission, exchange and communication		25,568	39,868	57,976	121,072
Travel & entertainment		10,963	34,168	36,676	44,405
Depreciation		11,935	-	35,984	-
Telecommunications		7,530	-	27,825	6,749
Dues and subscriptions		915	-	10,904	1,500
Shareholder communications		4,134	-	10,282	-
Interest on lease liability		2,607	-	7,664	-
Bank charges		2,002	1,244	4,449	2,353
Office		601	3,189	3,003	4,914
Rent		1,205	-	2,394	-
<b>Operating loss</b>		<b>722,627</b>	<b>541,568</b>	<b>1,709,610</b>	<b>4,690,386</b>
Flow through premium renounced		(72,566)	-	(1,000,000)	-
Interest income		(13,599)	(7,466)	(28,502)	(14,093)
<b>Net loss and comprehensive loss</b>		<b>636,462</b>	<b>534,102</b>	<b>681,108</b>	<b>4,676,293</b>
<b>Net loss per share</b>	9	\$ <b>0.01</b>	\$ 0.01	\$ <b>0.01</b>	0.11
<b>Weighted average outstanding shares</b>		<b>55,326,067</b>	<b>45,311,393</b>	<b>55,316,338</b>	<b>42,524,428</b>

# FATHOM NICKEL INC.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED SEPTEMBER 30, 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		-	-	-	662,500	-	662,500
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
Loss and comprehensive loss		-	-	-	-	(4,676,293)	(4,676,293)
Balance, September 30, 2021		45,311,393	-	\$ 14,668,710	\$ 971,040	\$ (5,284,619)	10,355,131
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		-	-	-	273,868	-	273,868
Fair value of broker warrants	8	-	-	(42,340)	42,340	-	-
Loss and comprehensive loss		-	-	-	-	(81,135)	(81,135)
Balance, December 31, 2021		55,311,393	-	\$ 16,958,381	\$ 1,287,248	\$ (5,365,754)	12,879,875
Fair value of options	8	-	-	-	445,850	-	445,850
Common shares issued for property acquisition	8	150,000	-	13,500	-	-	13,500
Loss and comprehensive loss		-	-	-	-	(681,108)	(681,108)
<b>Balance, September 30, 2022</b>		<b>55,461,393</b>	<b>-</b>	<b>\$ 16,971,881</b>	<b>\$ 1,733,098</b>	<b>\$ (6,046,862)</b>	<b>12,658,117</b>

# FATHOM NICKEL INC.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS ENDED SEPTEMBER 30, 2022 and 2021 (Unaudited)

Note	Nine Months Ended Sept 30	
	2022	2021
<b>Cash flows from operating activities</b>		
Net loss for the period	\$ (681,108)	\$ (4,676,293)
Add back / Deduct non cash expenses		
Finance expense	4	2,672,145
Stock based compensation	445,850	662,500
Reversal of flow-through liability	(1,000,000)	-
Depreciation	35,984	-
Shares issued for property	8	13,500
Interest on lease liability	7,664	-
	<b>(1,178,110)</b>	<b>(1,341,648)</b>
Working capital changes		
Goods and services tax receivable	(179,139)	(197,192)
Prepays and deposits	(458,158)	(194,219)
Interest receivable	(2,961)	(2,261)
Accounts payable and accrued liabilities	18,103	93,315
Cash flows used in operating activities	<b>(1,800,265)</b>	<b>(1,642,005)</b>
<b>Cash flows provided by (used in) from investing activities</b>		
Property and equipment	(9,089)	(5,616)
Exploration and evaluation assets	5	(4,344,011)
Cash flows used in investing activities	<b>(4,353,597)</b>	<b>(2,049,627)</b>
<b>Cash flows provided by (used in) from financing activities</b>		
Issue of common shares for cash, net of share issuance costs	8	719,065
Issue of special warrants for cash, net of share issuance costs	8	10,136,449
Amounts due to directors	-	(1,991)
Cash provided by financing activities	-	10,853,523
Net change in cash	<b>(6,153,862)</b>	7,161,891
Cash, beginning of the period	<b>8,087,554</b>	9,270
<b>Cash, end of the period</b>	<b>\$ 1,933,692</b>	<b>\$ 7,171,161</b>
Non-cash investing and financing activities, see Notes 6 & 8		

# FATHOM NICKEL INC.

## NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED SEPTEMBER 30, 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 Canadian Securities Exchange under the symbol FNI.

The condensed interim consolidated financial statements (“interim financial statements”) as at and for the three and nine months ended September 30, 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 – 3<sup>rd</sup> Avenue SW, Calgary, Alberta, T2P 3T3.

The interim financial statements were authorized for issue by the board of directors on November 29, 2022.

### 2. BASIS OF PRESENTATION

#### 2.1 Statement of compliance

These interim financial statements for the three and nine months ended September 30, 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 September 30, 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 SEPTEMBER 30, 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 FNI for the year ended December 31, 2021.



# FATHOM NICKEL INC.

## NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED SEPTEMBER 30, 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 ASSETS

#### Albert Lake Exploration & Evaluation Asset

	Period ended	Year ended
	September 30,	Dec. 31, 2021
	2022	
Balance beginning of period – Albert Lake Property	\$ 5,519,697	\$ 1,483,587
Acquisition cost and leases	180,351	35,120
Exploration	4,191,657	4,050,990
Saskatchewan TMEI payment	(50,000)	(50,000)
Balance end of year – Albert Lake Property	\$ 9,841,705	\$ 5,519,697

As at September 30, 2022, the Company’s 100% owned Albert Lake Property was comprised of 34 contiguous mineral dispositions (totaling 91,860 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

## FATHOM NICKEL INC.

### NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED SEPTEMBER 30, 2022 and 2021

#### 5. EXPLORATION AND EVALUATION ASSETS (continued)

Company is required to incur annual qualifying expenditures that will increase to approximately \$1.4 million per year beginning in 2023 in order to maintain all dispositions in good standing. However, based on available expenditures carried-forward from prior years, the minimum 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 September 30, 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 20 mineral dispositions directly through the staking system of the Saskatchewan Ministry of Energy and Resources during the period from 2016 through 2021. In June 2022 the Company acquired 3 mineral dispositions totaling 315 hectares from a third party in exchange for the reimbursement of direct staking costs together with a 2% NSR. The NSR can be bought down to 1% for a cash payment of \$1,000,000 at the Company’s option.

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 both 2021 and 2022. The Company is expected to fully qualify for the full \$50,000 TMEI rebate in 2023 (based on calendar year 2022 expenditures). TMEI rebates are recorded as a reduction to the exploration and evaluation asset at the Albert Lake project.

#### Gochager Lake Exploration & Evaluation Asset

	<b>Period ended</b>	Year ended
	<b>September 30,</b>	Dec. 31, 2021
	<b>2022</b>	
Balance beginning of period – Gochager Lake Property	\$ -	\$ -
Acquisition cost and leases	<b>22,500</b>	-
Exploration	-	-
Balance end of year – Gochager Lake Property	<b>\$ 22,500</b>	\$ -

On September 16, 2022, the Company entered into an Option Earn-In Agreement (the “Gochager Option”) with a third-party vendor (the “Optionor”) to earn an interest in the Gochager Lake Property (“Gochager”) based on a combination of cash payments, share issuances and exploration expenditures over a four-year period.

Gochager is comprised of nine mineral dispositions totalling 4,696 hectares located in north-central Saskatchewan, approximately 75 km north of the town of La Ronge.

## FATHOM NICKEL INC.

### NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED SEPTEMBER 30, 2022 and 2021

#### 5. EXPLORATION AND EVALUATION ASSETS (continued)

##### *Option Agreement Terms:*

Pursuant to the terms of the Gochager Option, the Company is required to issue the following common shares and complete the following cash payments to the Optionor, and completing the following exploration expenditures, subject to the earn-in provisions:

- (a) issue an aggregate of 920,000 common shares of the Company to the Optionor as follows:
  - (i) 150,000 on the date of the execution of the Gochager Option (the “Execution Date”) or as soon as practicable thereafter (completed);
  - (ii) 170,000 on the first anniversary of the Execution Date;
  - (iii) 250,000 on the second anniversary of the Execution Date; and
  - (iv) 350,000 on the third anniversary of the Execution Date
  
- (b) pay an aggregate of \$92,000 in cash to the Optionor as follows:
  - (i) \$9,000 on the Execution Date of the Gochager Option or as soon as practicable thereafter;
  - (ii) \$15,000 on the first anniversary of the Execution Date;
  - (iii) \$30,000 on the second anniversary of the Execution Date; and
  - (iv) \$40,000 on the third anniversary of the Execution Date;
  
- (c) incur an aggregate of \$2,000,000 in exploration expenditures on Gochager as follows:
  - (i) \$125,000 by the first anniversary of the Execution Date;
  - (ii) \$250,000 cumulative by the second anniversary of the Execution Date;
  - (iii) \$400,000 cumulative by the third anniversary of the Execution Date;
  - (iv) \$2,000,000 cumulative by the fourth anniversary of the Execution Date.

##### Earn-In Thresholds

Upon the Company satisfying each of the Earn-In Threshold Conditions below, the Company will have exercised the Option and acquired that percentage of an undivided right, title and interest in and to the Property at each respective threshold:

- a. A minimum of \$350,000 in exploration expenditures, plus the share and cash payments required to be paid by the first anniversary of the Execution Date shall result in the transfer of a 10% undivided legal and beneficial interest in and to Gochager;
- b. a minimum of \$750,000 in cumulative exploration expenditures, plus the share and cash payments required to be paid by the second anniversary of the Execution Date shall result in the transfer of an additional 25% undivided legal and beneficial interest in and to Gochager, for a cumulative ownership interest of the Company of 35%;
- c. a minimum of \$1,200,000 in cumulative exploration, plus the share and cash payments required to be paid by the third anniversary of the Execution Date shall result in the transfer of an additional 20% undivided legal and beneficial interest in and to Gochager, for a cumulative ownership interest of the Company of 55%;
- d. a minimum of \$1,600,000 in cumulative exploration expenditures shall result in the transfer of an additional 20% undivided legal and beneficial interest in and to Gochager, for a cumulative ownership interest of the Company of 75%; and
- e. a minimum of \$2,000,000 in cumulative exploration expenditures shall result in the transfer of an additional 25% undivided legal and beneficial interest in and to Gochager, for a cumulative ownership interest of the Company of 100%.

## FATHOM NICKEL INC.

### NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED SEPTEMBER 30, 2022 and 2021

#### 5. EXPLORATION AND EVALUATION ASSETS (continued)

At its sole option, the Company can expedite its anniversary payments so as to earn the full 100% prior to the 4th anniversary provided all required payments (cash and shares) have been made and the required \$2,000,000 in exploration expenditures has been satisfied.

On the Company successfully exercising the Gochager Option and earning a 100% interest in Gochager, the Company shall grant to the optionor a 2.0% net smelter return royalty on the Property (the “NSR”). The Company shall have the right to purchase 1.0% of the Royalty from the optionor for \$1,000,000 at any time.

#### 6. RIGHT OF USE ASSET

	<u>September</u> 2022	<u>Dec</u> 2021
Balance beginning of period	\$ 268,970	\$ -
Additions	-	272,706
Depreciation	(37,357)	(3,736)
Balance end of period	\$ 235,349	\$ 268,970

Depreciation for the right of use asset is recorded in non-current assets on the consolidated statement of financial position. A lease liability of \$281,227 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	(27,973)
	\$ 281,227

#### 7. GOODS AND SERVICES TAX AND OTHER RECEIVABLES

	<u>September 30, 2022</u>	<u>Dec 31, 2021</u>
Goods and Services Tax	\$ 488,022	\$ 308,883

# FATHOM NICKEL INC.

## NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED SEPTEMBER 30, 2022 and 2021

### 8. SHARE CAPITAL

Authorized: Unlimited number of common shares without a value

	Period ended September 30, 2022	Year ended Dec 31, 2021
	<b>Number of common shares</b>	
<b>Authorized and issued</b>		
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
Issued for property acquisition (v)	150,000	-
Balance, end of period	<u>55,461,393</u>	<u>55,311,393</u>
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
Issued for property acquisition (v)	13,500	3,332,011
Balance, end of period	<u>\$ 16,971,881</u>	<u>\$ 16,958,381</u>

#### Special Warrants

	Period ended September 30, 2022	Year ended Dec 31, 2021
	<b>Number of Special Warrants</b>	
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	<u>-</u>	<u>-</u>
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	<u>\$ -</u>	<u>\$ -</u>

## FATHOM NICKEL INC.

### NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED SEPTEMBER 30, 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 60<sup>th</sup> 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 SEPTEMBER 30, 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.

- (v) Upon execution of Gochager Option on September 16, 2022, FNI issued 150,000 common shares at a deemed value of \$0.09 per share to the Optionor of Gochager.

## FATHOM NICKEL INC.

### NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED SEPTEMBER 30, 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 September 30, 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
Cancelled	(975,000)	0.22
Balance, September 30, 2022	3,225,000	\$ 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 1<sup>st</sup> on the first anniversary and 1/3 on 2<sup>nd</sup> on the second anniversary.

The fair value of the options issued in the period ended September 30, 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 2021, the Company granted 115,000 restricted share units (RSUs) to officers of the Company. The RSUs vest 1/3 on 1<sup>st</sup> on the first anniversary, 1/3 on 2<sup>nd</sup> on the second anniversary, and 1/3 on 3<sup>rd</sup> on the third anniversary. During the period ended September 30, 2022, 55,000 RSUs were cancelled without exercise, leaving 60,000 unexercised RSUs outstanding.

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 SEPTEMBER 30, 2022 and 2021

### 9. EARNINGS/LOSS PER SHARE

The calculation of basic income/loss per share for the nine-month period ended September 30, 2022 of \$0.01 (2021 – loss of \$0.11) was based on a net loss and comprehensive loss attributable to shareholders of the Company of \$681,108 (2021 –\$4,676,293), and a weighted average number of common shares of 55,316,338 (2021 – 42,524,428).

### 10. RELATED PARTIES

The following related party transactions occurred and were charged in the financial statements during the periods ended September 30, 2022 and 2021 as follows:

	September 30, 2022	September 30, 2021
Administrative and exploration-related consulting fees:		
Administrative consulting fees were charged by officers for corporate administrative and financial management services	\$ 406,310	\$ 169,086
Consulting fees were charged by officers for geological management of the Company's exploration and evaluation asset (Note 5)	\$ 111,150	\$ 125,099
Legal fees charged by a law firm of which a director of the Company is a partner	\$ 54,171	\$ 297,356

Amounts accrued and paid as administrative consulting fees are expensed and 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 (September 30, 2021 - \$ Nil). At September 30, 2022, the Company had a recorded liability of \$2,585 owing to the law firm of which a director of the Company is a partner (September 30, 2021 \$13,879).

### 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 satisfy its spending requirements related to this first tranche flow-through obligation. Thus, the Company derecognized the first tranche of 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 September 30, 2022, the Company incurred \$4,191,657 in qualifying exploration expenditures, leaving a remaining spending commitment of \$nil raised through flow-through financing in 2021 on eligible Canadian exploration and development expenses prior to December 31, 2022.

# FATHOM NICKEL INC.

## NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED SEPTEMBER 30, 2022 and 2021

### 11. COMMITMENTS AND CONTINGENCIES (continued)

At December 31, 2020, the Company was required to incur the \$53,300 of exploration expenses in order 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 September 30, 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.

### 12. EVENTS AFTER THE REPORTING PERIOD

On November 29, 2022 the Company announced a proposed private placement offering of common shares of the Company to be issued on a "flow through" basis (the "**Offering**"). The offering is expected to be completed on a non-brokered basis under the listed issuer financing exemption set forth under section 5A.2 of National Instrument 45-106 *Prospectus Exemptions* ("**Listed Issuer Exemption**")

Pursuant to limitations imposed under the Listed Issuer Exemption and based on an expected offering price of \$0.06 per FT Share (the "**Offering Price**"), the maximum gross proceeds of the Offering are expected to be \$1,650,000. There can be no assurance as to completion of the Offering.

The gross proceeds of the Offering will be used by the Company to incur eligible "Canadian exploration expenses" that will qualify as "flow-through mining expenditures" as such terms are defined in the *Income Tax Act* (Canada) (the "**Qualifying Expenditures**") related to the Company's Albert Lake Project and the Gochager Lake Project which are located in Saskatchewan, Canada on or before December 31, 2023. All Qualifying Expenditures will be renounced in favour of the subscribers effective December 31, 2022.

It is expected that the Company will pay agents and/or finders a cash commission that is yet to be determined based on the gross proceeds of the Offering. In addition, it is expected that broker warrants to purchase common shares of the Company will be issued to agents and/or finders (the "**Broker Warrants**"), subject to the number of FT Shares sold pursuant to the Offering.

The Offering is expected to close on or about December 21, 2022, or such other date as the Company may determine but, in any event, prior to December 31, 2022.