

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, 2023 and 2022

FATHOM NICKEL INC.
Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2023
(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, 2022. 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

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, 2023 have not been reviewed by Fathom’s auditors.

FATHOM NICKEL INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT (Unaudited)

		September 30, 2023	December 31, 2022
	<i>Note</i>		
ASSETS			
Current assets			
Cash and cash equivalents		\$ 759,351	\$ 2,956,035
Goods and services tax receivable		755,544	521,500
Deposits and prepaids		1,109,239	207,474
Interest receivable		-	4,450
		2,624,134	3,689,459
Non-current assets			
Exploration and evaluations asset	5	\$ 13,432,702	\$ 10,239,334
Right of use asset, net	6	190,274	224,080
Property and equipment		10,317	12,733
		13,633,293	10,476,147
Total assets		\$ 16,257,427	\$ 14,165,606
EQUITY AND LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 680,292	\$ 118,083
Flow-through premium liability	7	539,500	274,000
Current portion of lease obligation	6	56,240	55,748
		1,276,032	447,831
Lease obligation		179,669	213,798
Total liabilities		1,455,701	661,629
Equity			
Share capital	7	\$ 20,644,315	\$ 18,131,836
Contributed surplus		2,016,139	1,884,620
Deficit		(7,858,728)	(6,512,479)
		14,801,726	13,503,977
Total equity and liabilities		\$ 16,257,427	\$ 14,165,606
Commitments and contingencies	10		

Approved on behalf of the Board on November 29, 2023:

Signed

Ian Fraser, Director

Signed

Doug Porter, Director

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

FATHOM NICKEL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE PERIODS ENDED SEPTEMBER 30, 2023 and 2022
(unaudited)

		Three Months Ended Sept 30		Nine Months Ended Sept 30	
	<i>Note</i>	2023	2022	2023	2022
Expenses					
Share based compensation	7	\$ 8,800	\$ 80,425	\$ 91,088	\$ 445,850
External consultants		158,976	74,729	717,053	206,729
Administrative consulting	9	49,000	273,740	139,000	406,310
Legal and accounting		9,922	4,220	100,147	119,288
Insurance		19,674	26,367	63,783	74,372
Market making services		28,000	21,000	63,000	63,000
Depreciation		12,165	11,935	36,223	35,984
Advertising and promotion		41,536	174,686	167,225	196,904
Commission, exchange and communication		25,863	25,568	51,951	57,976
Shareholder communications		6,342	4,134	18,289	10,282
Telecommunications		2,989	7,530	17,707	27,825
Travel & entertainment		24,858	10,963	69,626	36,676
Interest on lease liability		2,270	2,607	7,062	7,664
Dues and subscriptions		29,768	915	34,644	10,904
Office		1,689	601	5,049	3,003
Property investigations		9,600	-	9,600	-
Rent		(3,937)	1,205	23,388	2,394
Part XII.6 tax on Flow Through Shares		-	-	22,679	-
Bank charges		734	2,002	3,535	4,449
Operating loss		428,249	722,627	1,641,049	1,709,610
Flow through premium renounced		-	(295,496)	(274,000)	(1,000,000)
Interest income		(9,186)	(10,058)	(20,800)	(28,502)
Net loss and comprehensive loss		419,063	417,073	1,346,249	681,108
Net loss per share	8	\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.01
Weighted average outstanding shares		102,822,752	55,326,067	91,751,115	55,316,338

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

FATHOM NICKEL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2023 and 2022 (Unaudited)

	Note	Share Capital		Contributed surplus	Deficit	Total
		Common Shares	Amount			
Balance, December 31, 2021		55,311,393 \$	17,000,721 \$	1,244,908 \$	(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)
Balance, September 30, 2022		55,461,393 \$	17,014,221 \$	1,690,758 \$	(6,046,862) \$	12,658,117
Fair value of options	7	-	-	79,552	-	79,552
Flow-through shares issued for cash, net of share issue costs	7	27,411,667	1,505,925	-	-	1,505,925
Unrenounced flow-through share premium	7	-	(274,000)	-	-	(274,000)
Fair value of broker warrants	7	-	(114,310)	114,310	-	-
Loss and comprehensive loss		-	-	-	(465,617)	(465,617)
Balance, December 31, 2022		82,873,060 \$	18,131,836 \$	1,884,620 \$	(6,512,479) \$	13,503,977
Fair value of options				91,088		91,088
Common shares issued for property acquisition	7	2,210,000	235,050	-	-	235,050
Common shares issued upon exercise of broker warrants		15,680	941			941
Flow-through shares issued for cash, net of share issue costs	7	13,160,737	2,242,244	-	-	2,242,244
Flow-through shares issued for cash, net of share issue costs	7	4,742,000	614,175	-	-	614,175
Unrenounced flow-through share premium	7	-	(539,500)	-	-	(539,500)
Fair value of broker warrants	7	-	(40,431)	40,431	-	-
Loss and comprehensive loss		-	-	-	(1,346,249)	(1,346,249)
Balance, September 30, 2023		103,001,477 \$	20,644,315 \$	2,016,139 \$	(7,858,728) \$	14,801,726

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

FATHOM NICKEL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED SEPTEMBER 30, 2023 and 2022
(unaudited)

Nine Months Ended Sept 30
2023 2022

Cash flows from operating activities			
Net loss for the period	\$	(1,346,249) \$	(681,108)
Add back / Deduct non cash expenses			
Stock based compensation		91,088	445,850
Reversal of flow-through liability		(274,000)	(1,000,000)
Depreciation		36,223	35,984
Shares issued for property		-	13,500
Interest on lease liability		7,062	7,664
		(1,485,876)	(1,178,110)
Working capital changes			
Goods and services tax receivable		(234,044)	(179,139)
Prepays and deposits		(901,765)	(458,158)
Interest receivable		4,450	(2,961)
Accounts payable and accrued liabilities		562,209	18,104
Cash flows used in operating activities		(2,055,026)	(1,800,264)
Cash flows provided by (used in) from investing activities			
Property and equipment		-	(9,089)
Exploration and evaluation assets	5	(3,193,368)	(4,344,508)
Cash flows used in investing activities		(3,193,368)	(4,353,597)
Cash flows provided by (used in) from financing activities			
Issue of common shares for cash, net of share issuance costs	7	2,856,419	-
Issue of common shares for property		235,050	-
Issue of common shares upon exercise of broker warrants		941	-
Payments on lease obligations		(40,700)	-
Cash provided by financing activities		3,051,710	-
Net change in cash		(2,196,684)	(6,153,862)
Cash, beginning of the period		2,956,035	8,087,554
Cash, end of the period		\$ 759,351	\$ 1,933,692

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

FATHOM NICKEL INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED SEPTEMBER 30, 2023 and 2022

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 and nine months ended September 30, 2023 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 #104, 1240 Kensington Road NW Calgary, Alberta, T2N 3P7.

The interim financial statements were authorized for issue by the board of directors on November 29, 2023.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These interim financial statements for the three months ended September 30, 2023 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, 2022.

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, 2022. The following are certain specific estimates and judgements made during the period ended September 30, 2023:

- 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, 2023 and 2022

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.

2.2 Basis of measurement and going concern

These 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.

Going Concern

The Company’s ability to continue to operate and to meet its obligations as they come due is dependent upon its ability to obtain additional financing as necessary to locate and develop its properties or related opportunities with economic potential. The ultimate outcomes of these matters cannot presently be determined because they are contingent on future events.

As at September 30, 2023, the Company had working capital of \$1,348,103 (December 31, 2022 - \$3,241,628), had not yet achieved profitable operations, had accumulated deficit of \$7,058,728 (December 31, 2022 - \$6,512,479) and may incur further losses in the development of its business, all of which create material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern.

The company’s continued existence is dependent upon its ability to locate suitable properties containing economically viable reserves and the ability of the company to raise capital or alternative financing, if necessary. Although the company has been successful with raising capital in the past, there can be no assurance that the Company will be successful in future capital raises.

FATHOM NICKEL INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED SEPTEMBER 30, 2023 and 2022

2. BASIS OF PRESENTATION (continued)

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than normal course of business and at amounts different from those in the accompanying Consolidated financial statements.

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, 2022.

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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FATHOM NICKEL INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED SEPTEMBER 30, 2023 and 2022

5. EXPLORATION AND EVALUATION ASSETS

Albert Lake Exploration & Evaluation Asset

	Sept 30, 2023	Dec 31, 2022
Balance beginning of year – Albert Lake Property	\$ 10,138,084	\$ 5,519,697
Acquisition cost and leases	(3,935)	180,350
Exploration	1,224,785	4,488,037
Saskatchewan TMEI payment	(50,000)	(50,000)
Balance end of year – Albert Lake Property	\$ 11,308,785	\$ 10,138,084

At September 30, 2023, the Company's 100% owned Albert Lake Property was comprised of 31 contiguous mineral dispositions (totaling 90,460 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 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 the balance of 2023 and 2024 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 December 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 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.

FATHOM NICKEL INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED SEPTEMBER 30, 2023 and 2022

5. EXPLORATION AND EVALUATION ASSETS (continued)

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 2022 and 2023. TMEI rebates are recorded as a reduction to the exploration and evaluation asset at the Albert Lake project.

Gochager Lake Exploration & Evaluation Asset

	Period ended	Year ended
	Sept 30, 2023	Dec. 31, 2022
Balance beginning of period – Gochager Lake Property	\$ 101,250	\$ -
Acquisition cost and leases	400,184	22,500
Exploration	1,622,483	78,750
Balance end of period – Gochager Lake Property	\$ 2,123,917	\$ 101,250

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.

On March 21, 2023, the Company entered into an Acquisition Agreement (the “Watts Lake Agreement”) with SKRR Exploration Inc. to acquire a 100% interest in the Watts Lake Claims based on cash payments totalling \$150,000 and share issuances of 2,000,000 common shares of the Company. On the Company successfully fulfilling its obligations under the Watts Lake Agreement, the Company shall grant to a nominee of the vendor, 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.

For both reporting and operational purposes, the Watts Lake Claims are included with the Gochager Lake Property. Gochager is comprised of 35 mineral dispositions totalling 22,620 hectares located in north-central Saskatchewan, approximately 75 km north of the town of La Ronge.

Gochager 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 incur the following exploration expenditures:

- (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 (Completed. Note that at the request of the Optionor, the common share issued to the Optionor as required on the first anniversary date was increased by 40,000 (to a total of 210,000) and the cash component of the first anniversary payment was reduced to \$5,000);
 - (iii) 250,000 on the second anniversary of the Execution Date; and
 - (iv) 350,000 on the third anniversary of the Execution Date

FATHOM NICKEL INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED SEPTEMBER 30, 2023 and 2022

5. EXPLORATION AND EVALUATION ASSETS (continued)

- (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 (completed);
 - (ii) \$15,000 on the first anniversary of the Execution Date ((Completed. Note that at the request of the Optionor, the common share issued to the Optionor as required on the first anniversary date was increased by 40,000 (to a total of 210,000) and the cash component of the first anniversary payment was reduced to \$5,000));
 - (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 (completed);
 - (ii) \$250,000 cumulative by the second anniversary of the Execution Date (completed);
 - (iii) \$400,000 cumulative by the third anniversary of the Execution Date (completed);
 - (iv) \$2,000,000 cumulative by the fourth anniversary of the Execution Date (completed).

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%.

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.

FATHOM NICKEL INC.**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED SEPTEMBER 30, 2023 and 2022****6. RIGHT OF USE ASSET**

	<u>Sept</u> <u>2023</u>	<u>Dec</u> <u>2022</u>
Balance beginning of period	\$ 224,080	\$ 268,970
Additions	-	-
Depreciation	(33,806)	(44,890)
Balance end of year	<u>\$ 190,274</u>	<u>\$ 224,080</u>

Depreciation for the right of use asset is recorded in non-current assets on the consolidated statement of financial position. The lease liability of \$235,909 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:

2023	\$ 12,901
2024	56,793
2025	59,200
2026+	124,722
	<u>\$ 253,616</u>
Implied interest	<u>(17,707)</u>
	<u>\$ 235,909</u>

FATHOM NICKEL INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED SEPTEMBER 30, 2023 and 2022

7. SHARE CAPITAL

Authorized: Unlimited number of common shares without a value

	Period ended September 30, 2023	Year ended Dec 31, 2022
	Number of common shares	
Authorized and issued		
Balance, beginning of the period	82,873,060	55,311,393
Issued for property acquisition (ii), (iii)	2,210,000	150,000
Issued for cash pursuant to flow-through financing (i), (iv)	13,160,737	27,411,667
Issued for cash upon exercise of broker warrants (v)	15,680	-
Issued for cash pursuant to hard dollar financing (iv)	4,742,000	-
Balance, end of the period	<u>103,001,477</u>	<u>82,873,060</u>
Balance, beginning of the period	\$ 18,131,836	\$ 17,000,721
Fair value of broker warrants (i), (iv)	(40,431)	(114,310)
Flow through premium liability (i), (iv)	(539,500)	(274,000)
Issued for property acquisition (ii), (iii)	235,050	13,500
Issued for cash pursuant to flow-through financing (i), (iv)	2,242,244	1,505,925
Issued for cash upon exercise of broker warrants (v)	941	-
Issued for cash pursuant to hard dollar financing (iv)	614,175	-
Balance, end of the period	<u>\$ 20,644,315</u>	<u>\$ 18,131,836</u>

- (i) On December 29, 2022, FNI completed a non-brokered private placement of 27,411,667 flow through shares at a price \$0.06 per share for gross proceeds of \$1,644,700.

The flow through premium liability associated with the issuance of the flow through shares was calculated at \$0.01 per flow through share, based on a market price of \$0.05 per share on the closing date of the financing, and subtracting this from the selling price. This resulted in a flow through premium liability of \$274,000.

In connection with the issuance of the flow through shares the Company paid \$107,785 in fees. The agents were also granted 1,778,910 broker warrants, exercisable at a price of \$0.06 per broker warrant into one common share of FNI for a period of three years from the date of the closing of the financing, or December 29, 2025.

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 3%; (IV) an expected life of 3 years and (V) a broker warrant price of \$0.06. Expected volatility was based on comparable companies. This resulted in a fair value of \$0.06 per broker warrant for a total of \$114,310.

The total share issuance costs for the issuance of the flow through shares amounted to \$138,775, inclusive of the agent's \$107,785 as noted above.

- (ii) Upon execution of Gochager Option on September 16, 2022, FNI issued 150,000 common shares at the market price of \$0.09 per share to the Optionor of Gochager. See Note 7.
- (iii) Upon execution of Watts Lake Agreement on March 31, 2023, FNI issued 2,000,000 common shares at the market price of \$0.09 to SKRR Exploration Inc. See Note 5.
- (iv) On May 30, 2023, FNI completed a non-brokered private placement of 5,266,000 flow through

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units (“**FT Unit**”) at a price \$0.155 per unit for gross proceeds of \$816,230. Each FT Unit consisted of one common share of the Company and one-half common share purchase warrant (“**FT warrant**”). Each whole FT warrant is exercisable into a common share of the Company at a price of \$0.23 for a period of two years from the date of issue.

On May 30, 2023, FNI completed a non-brokered private placement of 4,742,000 non flow-through units (“**Hard Dollar Unit**”) at a price \$0.135 per unit for gross proceeds of \$640,170. Each Hard Dollar Unit consisted of one common share of the Company and one common share purchase warrant (“**Hard Dollar warrant**”). Each Hard Dollar warrant is exercisable into a common share of the Company at a price of \$0.20 for a period of two years from the date of issue.

On June 9, 2023, FNI completed a non-brokered private placement of 7,894,737 special flow-through units (“**Special FT Unit**”) at a price \$0.19 per unit for gross proceeds of \$1,500,000. Each Special FT Unit consisted of one common share of the Company and one common share purchase warrant (“**Special FT warrant**”). Each Special FT warrant is exercisable into a common share of the Company at a price of \$0.20 for a period of two years from the date of issue.

The flow through premium liability associated with the issuance of the flow through shares was calculated at \$0.02 per FT Unit and \$0.055 per Special FT Unit, based on a selling price of \$0.135 per Hard Dollar Unit. This resulted in a flow through premium liability of \$539,500.

In connection with the issuance of the flow through shares the Company paid \$63,945 in fees. The agents were also granted 439,800 broker warrants, exercisable at a price of \$0.155 per broker warrant into one common share of FNI for a period of two years from the date of the closing of the respective financings.

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 3%; (IV) an expected life of 2 years and (V) a broker warrant price of \$0.155. Expected volatility was based on comparable companies. This resulted in a fair value of \$0.09 per broker warrant for a total of \$40,431.

The total share issuance costs for the issuance of the flow through shares amounted to \$100,910, inclusive of the agent’s \$63,945 as noted above.

- (v) During the period ended September 30, 2023, 15,680 broker warrants were exercised for a cash price of \$0.06 per warrant resulting in total proceeds of \$941.

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7. 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 December, 2022 and December 2021:

	Number of Options Issued/(Cancelled)	Number of Options Vested	Weighted Average Exercise Price
Balance, December 31, 2021	3,000,000	1,020,000	\$ 0.70
Granted	1,200,000	-	0.22
Vested	-	2,190,000	
Cancelled	(975,000)	(727,500)	0.22
Balance, December 31, 2022	3,225,000	2,482,500	\$ 0.56
Granted	5,000,000	-	0.09
Granted	535,000	181,900	0.27
Vested	-	1,666,667	
Cancelled	(2,300,000)	(1,557,500)	0.70
Balance, September 30, 2023	6,460,000	2,773,567	0.13

The fair value of the options issued in 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 \$0.22. 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.

The fair value of the options issued in 2023 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 \$0.09. Expected volatility was based on comparable companies. This resulted in a fair value of \$0.067 per option for a total of \$334,000. The options vest 1/3 at the grant date and 1/3 on each of the first and second anniversaries of 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 1st on the first anniversary, 1/3 on 2nd on the second anniversary, and 1/3 on 3rd on the third anniversary. During 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.

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Warrants

Other than the warrants and broker warrants issued in connection with the issuance of flow through and hard dollar shares as noted above, there were no other warrants issued during the period or outstanding at September 30, 2023 or December 31, 2022.

8. EARNINGS/LOSS PER SHARE

The calculation of basic loss per share for the three-month period ended September 30, 2023 of \$Nil (2022 – \$0.01) was based on the loss attributable to shareholders of the Company of \$419,063 (2022 –\$417,073), and a weighted average number of common shares of 102,822,752 (2022 – 55,326,067).

9. RELATED PARTIES

The following related party transactions occurred and were charged in the financial statements during the periods ended September 30, 2023 and 2022 as follows:

	September 30, 2023	September 30, 2022
Administrative and exploration-related consulting fees:		
Administrative consulting fees were charged by officers for corporate administrative and financial management services	\$ 139,000	\$ 383,610
Consulting fees were charged by officers for geological management of the Company's exploration and evaluation asset (Note 5)	\$ 63,000	\$ 129,790
Legal fees charged by a law firm of which a director of the Company is a partner	\$ 61,432	\$ 54,171

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 \$11,550 (September 30, 2022 - \$ Nil).

10. COMMITMENTS AND CONTINGENCIES

The Company completed a non-brokered flow-through financing on December 29, 2022 for total gross proceeds of \$1,644,700 (Note 7). The Company is therefore required to incur qualifying exploration expenditures on eligible Canadian exploration and development expenses totalling \$1,644,700 prior to December 31, 2023 in order to satisfy the spending commitment in respect of funds raised via this flow-through financing in 2022. As at September 30, 2023 the Company had fulfilled this obligation and had no further flow through spending commitments related to the December 29, 2022 flow-through financing. Thus, the Company derecognized the flow through premium of \$274,000.

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NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED SEPTEMBER 30, 2023 and 2022

10. COMMITMENTS AND CONTINGENCIES (continued)

The Company completed a non-brokered flow-through financing, closing in two tranches on May 30, 2023 and June 9, 2023 for total gross proceeds of \$2,316,230 (Note 7). The Company is therefore required to incur qualifying exploration expenditures on eligible Canadian exploration and development expenses totalling \$2,316,230 prior to December 31, 2024 in order to satisfy the spending commitment in respect of funds raised via this flow-through financing in 2023.

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, 2023, 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 2024.

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.