

FATHOM NICKEL INC.

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

FOR THE THREE MONTHS ENDED MARCH 31, 2024 and 2023

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

FATHOM NICKEL INC.
Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2024
(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, 2023. 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 months ended March 31, 2024 have not been reviewed by Fathom’s auditors.

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

FATHOM NICKEL INC.

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

	<i>Note</i>	Mar 31, 2023	Dec 31, 2023
ASSETS			
Current assets			
Cash and cash equivalents		\$ 1,442,162	\$ 3,295,508
Interest receivable		4,394	-
Goods and services tax receivable		486,051	345,247
Deposits and prepaids		728,875	451,989
		\$ 2,661,482	4,092,744
Non-current assets			
Exploration and evaluations assets	4	\$ 16,209,992	\$ 14,201,956
Capital assets		8,525	9,421
		16,218,517	14,211,377
Total assets		\$ 18,879,999	\$ 18,304,121
EQUITY AND LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 84,450	\$ 104,705
Flow through premium liability	7	464,000	464,000
Funds held on account		-	130,014
Total liabilities		\$ 548,450	\$ 698,719
Equity			
Share capital	7	\$ 24,816,340	\$ 23,745,542
Contributed surplus	7	2,504,070	2,427,179
Deficit		(8,988,861)	(8,567,319)
		18,331,549	17,605,402
Total equity and liabilities		\$ 18,879,999	\$ 18,304,121
Basis of measurement and going concern	2.2		-
Commitments	9		

Signed: "Ian Fraser"

Signed: "Doug Porter"

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

FATHOM NICKEL INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

FOR THE PERIODS ENDED MARCH 31, 2024 and 2023

(unaudited)

	<i>Note</i>	Mar 31, 2024	Mar 31, 2023
Expenses			
Investor relations and capital markets consulting		\$ 221,853	\$ 304,741
Advertising and promotion		17,969	60,891
Share based compensation		31,500	54,504
Administrative consulting fees	8	45,000	45,000
Insurance		17,758	26,447
Travel		29,867	24,908
Legal and accounting		11,319	12,626
Part XII tax		-	22,679
Market making services		21,000	21,000
Depreciation		896	11,894
Exchange, transfer agent and commission fees		5,530	6,214
Telecommunications		6,245	4,007
Shareholder communications		2,847	3,338
Interest on lease liability		-	2,437
Office rent		2,363	2,381
Dues, fees and subscriptions		27,126	2,042
Bank charges		665	1,374
Office supplies		952	364
Operating loss		442,890	606,847
Interest income		(21,348)	(11,614)
Net loss and comprehensive loss		\$ 421,542	\$ 595,233
Net loss per share	7	\$ 0.00	\$ 0.01
Weighted average outstanding shares	7	134,872,100	82,894,799

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

FATHOM NICKEL INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED MARCH 31, 2024 and 2023 (Unaudited)

	Note	Share Capital		Contributed surplus	Deficit	Total
		Common Shares	Amount			
Balance, December 31, 2022		82,873,060 \$	18,131,836 \$	1,884,620 \$	(6,512,479) \$	13,503,977
Common shares issued for property acquisition	6	2,000,000	180,000	-	-	180,000
Fair value of options		-	-	54,504	-	54,504
Income and comprehensive income		-	-	-	(595,233)	(595,233)
Balance, March 31, 2023		84,873,060 \$	18,311,836 \$	1,939,124 \$	(7,107,712) \$	13,143,248
Fair value of options				347,046		347,046
Common shares issued for property acquisition	6	210,000	55,050	-	-	55,050
Common shares issued upon exercise of broker warrants		15,680	941	-	-	941
Flow-through units issued for cash, net of share issue costs	6	36,374,168	5,029,213	-	-	5,029,213
Non flow-through units issued for cash, net of share issue costs	6	8,054,095	953,511	-	-	953,511
Fair value of broker warrants	6	-	(141,009)	141,009	-	-
Unrenounced flow-through share premium	6	-	(464,000)	-	-	(464,000)
Loss and comprehensive loss	6	-	-	-	(1,459,607)	(1,459,607)
Balance, December 31, 2024		129,527,003 \$	23,745,542 \$	2,427,179 \$	(8,567,319) \$	17,605,402
Fair value of options				31,500		31,500
Non flow-through units issued for cash, net of share issue costs	6	10,808,974	1,116,189	-	-	1,116,189
Fair value of broker warrants	6	-	(45,391)	45,391	-	-
Loss and comprehensive loss	6	-	-	-	(421,542)	(421,542)
Balance, March 31, 2024		140,335,977 \$	24,816,340 \$	2,504,070 \$	(8,988,861) \$	18,331,549

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

FATHOM NICKEL INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS ENDED MARCH 31, 2024 and 2023 (Unaudited)

	Mar 31, 2024	Mar 31, 2023
Cash flows from operating activities		
Net loss for the year	\$ (421,542)	\$ (595,233)
Add back / Deduct non cash expenses		
Stock based compensation	31,500	54,504
Depreciation	896	11,894
Interest on lease liability	-	2,437
	(389,146)	(526,398)
Working capital changes		
Goods and services tax receivable	(140,804)	(117,644)
Interest receivable	(4,394)	4,450
Prepays and deposits	(276,886)	(41,769)
Accounts payable and accrued liabilities	(150,269)	52,778
Cash flows used in operating activities	(961,499)	(628,583)
Cash flows from investing activities		
Exploration and evaluation assets	(2,008,036)	(1,968,415)
Cash flows used in investing activities	(2,008,036)	(1,968,415)
Cash flows from financing activities		
Issue of common shares for property	-	180,000
Issue of non- flow through units for cash, net of costs	1,116,189	-
Payments on lease obligations	-	(14,826)
Cash provided by financing activities	1,116,189	165,174
Net change in cash	(1,853,346)	(2,431,824)
Cash, beginning of the period	3,295,508	2,956,035
Cash, end of the period	\$ 1,442,162	\$ 524,211

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

FATHOM NICKEL INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED MARCH 31, 2024 and 2023

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. 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, 2024 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 May 30, 2024.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These interim financial statements for the three months ended March 31, 2024 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, 2023.

2.2 Material 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, 2023. The following are certain specific estimates and judgements made during the period ended March 31, 2024:

- 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, 2024 and 2023

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 March 31, 2024, the Company had working capital of \$2,113,032 (December 31, 2023 - \$3,394,025), had not yet achieved profitable operations, had accumulated deficit of \$8,988,861 (December 31, 2023 - \$8,567,319) 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 MARCH 31, 2024 and 2023

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, 2023.

FATHOM NICKEL INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED MARCH 31, 2024 and 2023

4. EXPLORATION AND EVALUATION ASSETS

Albert Lake Exploration & Evaluation Asset

	Mar. 31, 2024	Dec. 31, 2023
Balance beginning of period – Albert Lake Property	\$ 11,359,784	\$ 10,138,084
Acquisition cost and leases	-	-
Exploration	1,376,706	1,271,700
Saskatchewan TMEI payment	-	(50,000)
Balance end of period – Albert Lake Property	\$ 12,736,490	\$ 11,359,784

At March 31, 2024, 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. Based on available expenditures carried-forward from prior years, the minimum required expenditure for the balance of 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 year ended December 31, 2022, the Company purchased this Uravan NSR in its entirety 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 (increasing to \$150,000 in 2024). The Company qualified for the full \$50,000 TMEI rebate in 2023 and is expected to qualify for the full \$150,000 in 2024. TMEI rebates are recorded as a reduction to the exploration and evaluation asset at the Albert Lake project.

FATHOM NICKEL INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED MARCH 31, 2024 and 2023

4. EXPLORATION AND EVALUATION ASSETS (continued)

Gochager Lake Exploration & Evaluation Asset

	Mar. 31, 2024	Dec. 31, 2023
Balance beginning of period – Gochager Lake Property	\$ 2,842,172	\$ 101,250
Acquisition cost and leases	-	393,015
Exploration	631,330	2,347,907
Balance end of period – Gochager Lake Property	\$ 3,473,502	\$ 2,842,172

Gochager Lake Property

At March 31, 2024, the Company's Gochager Lake Property was comprised of 35 contiguous mineral dispositions (totaling 22,620 hectares) issued by and registered with the Saskatchewan Ministry of Energy and Resources. The Gochager Lake Property is located approximately 90 kilometers northwest of La Ronge in north central Saskatchewan. For purposes of financial reporting the Gochager Lake Property includes the claims acquired in the original Gochager Option Agreement, the claims acquired in the Watts Lake acquisition and the contiguous claims acquired by direct staking with the Saskatchewan Ministry of Energy and Resources.

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 of approximately \$330,000 per year beginning in 2024 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 2024 is \$nil.

Original Gochager Lake Option Agreement

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 MARCH 31, 2024 and 2023

4. 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 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, subject to an amendment of the split between cash and shares requested by the Optionee);
 - (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 \$94,000 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, subject to an amendment of the split between cash and shares requested by the Optionee);
 - (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%.

FATHOM NICKEL INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED MARCH 31, 2024 and 2023

4. 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.

Upon 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.

As at December 31, 2023 the Company had fulfilled its obligations under the Gochager Option related to the cash payments and share issuances for both the Execution Date and first anniversary requirements. However, at the request of the Optionor, the first anniversary payment and share issuance was amended as follows: the cash payment was reduced to \$5,000 and the share issuance was increased accordingly by 40,000 at an agreed upon price of \$0.25 per share, for a total of issuance of 210,000 shares. All other terms of the Gochager Option remain unchanged.

As at December 31, 2023, the Company had fulfilled its exploration expenditure commitment for the full \$2,000,000. The Company will be required to make additional cash payments totaling \$70,000 and issue 600,000 common shares to the Optionor to complete the earn-in. The Company has until September 16, 2025 to complete these cash payments and share issuance requirements.

Watts Lake Mineral Claims

On March 21, 2023, pursuant to an agreement with SKRR Exploration Inc., the Company acquired the Watts Lake Mineral Claims. The Watts Lake Mineral Claims encompass twenty-four (24) mineral claims totalling 13,708 hectares in the region of, and contiguous with, Gochager. Under the terms of the Acquisition Agreement, Fathom acquired a 100% interest in the Watts Lake Mineral Claims by making total cash payments of CAD\$150,000 and issuing 2,000,000 common shares of Fathom to SKRR. The Acquisition Agreement provides for a 2% net smelter return (“NSR”) royalty in favour of Edge Geological Consulting Inc., a company controlled by Ross McElroy. The NSR is subject to a buy down to 1% for CAD\$1,000,000.

5. OFFICE SUBLEASE LITIGATION

The Company entered into an agreement to sublease its office space located at #730, 521 – 3rd Avenue SW, Calgary effective July 1, 2023 through to the end of its head lease on December 31, 2027. As a result of the cancellation of the Company’s head lease effective December 31, 2023, the corresponding sublease was also cancelled effective on that date.

On November 8, 2023 the subtenant filed a Statement of Claim in the Court of King’s Bench, Alberta, naming Fathom as a defendant. The lawsuit claims damages of up to \$143,000 resulting from the cancellation of the sublease.

FATHOM NICKEL INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED MARCH 31, 2024 and 2023

6. SHARE CAPITAL

Authorized: Unlimited number of common shares without a value

	Period ended March 31, 2024	Year ended Dec 31, 2023
	Number of common shares	
Authorized and issued		
Balance, beginning of the year	129,527,003	82,873,060
Issued for property acquisition (Note 4) (i), (ii)	-	2,210,000
Issued for cash upon exercise of broker warrants (iv)	-	15,680
Issued for cash pursuant to flow-through financings (iii)	-	36,374,168
Issued for cash pursuant to non flow-through financing (iii),(v),(vi)	10,808,974	8,054,095
Balance, end of the year	<u>140,335,977</u>	<u>129,527,003</u>
Balance, beginning of the year	\$ 23,745,542	\$ 18,131,836
Issued for property acquisition (Note 4)	-	235,050
Issued for cash upon exercise of broker warrants (iv)	-	941
Issued for cash pursuant to flow-through financings (iii)	-	5,029,213
Issued for cash pursuant to non flow-through financing (iii),(v),(vi)	1,116,189	953,511
Flow-through share premium	-	(464,000)
Fair value of broker warrants	(45,391)	(141,009)
Balance, end of the year	<u>\$ 24,816,340</u>	<u>\$ 23,745,542</u>

- (i) 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. Under the terms of the Gochager Option the first anniversary payment and share issuance was amended as follows: the cash payment was reduced to \$5,000 and the share issuance was increased accordingly by 40,000 at an agreed upon price of \$0.25 per share, for a total of issuance of 210,000 shares. (See Note 4).
- (ii) Upon execution of Watts Lake Agreement on March 21, 2023, FNI issued 2,000,000 common shares at the market price of \$0.09 to SKRR Exploration Inc. See Note 6.
- (iii) On May 30, 2023, FNI completed a non-brokered private placement of 5,266,000 flow through 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 12, 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 FT Units and the Special FT Units were bifurcated into its separate components. The fair value of the units were first allocated to the shares, based on the trading price on the date of issuance, then to warrants using a Black Scholes model, with the balance, if any, allocated to the flow through

FATHOM NICKEL INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED MARCH 31, 2024 and 2023

liability premium. No flow through premium was recognized.

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.

- (iv) During the year, 15,680 broker warrants were exercised for a cash price of \$0.06 per warrant resulting in total proceeds of \$941.
- (v) On December 22, 2023, FNI completed a non-brokered private placement of 23,213,431 flow through units ("**FT Unit**") at a price \$0.13 per unit for gross proceeds of \$3,017,746. Each FT Unit consisted of one common share of the Company and one common share purchase warrant ("**FT warrant**"). Each whole 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.

On December 22, 2023, FNI completed a non-brokered private placement of 3,312,095 non flow-through units ("**Hard Dollar Unit**") at a price \$0.11 per unit for gross proceeds of \$364,330. 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.

The flow-through premium liability associated with the issuance of the flow-through shares was calculated at \$0.02 per FT Unit, based on the difference between the selling price of \$0.13 and the Company's closing market price on the date of issuance (\$0.11). This resulted in a flow-through premium liability of \$464,000.

In connection with the issuance of the flow through shares the Company paid \$224,563 in fees. The agents were also granted 1,571,879 broker warrants, exercisable at a price of \$0.13 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 120%; (III) a risk-free interest rate of 4.755%; (IV) an expected life of 2 years and (V) a broker warrant price of \$0.13. Expected volatility was based on comparable companies. This resulted in a fair value of \$0.064 per broker warrant for a total of \$100,578.

The total share issuance costs for the issuance of the flow-through and non flow-through shares amounted to \$255,771, inclusive of the agent's \$224,563 as noted above.

- (vi) On February 16, 2024, FNI completed a non-brokered private placement of 10,808,974 non flow-through units ("**Hard Dollar Unit**") at a price \$0.11 per unit for gross proceeds of \$1,188,987. Each Hard Dollar Unit consisted of one common share of the Company and one common share

FATHOM NICKEL INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED MARCH 31, 2024 and 2023

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.

In connection with the issuance of the flow through shares the Company paid \$51,794 in fees. The agents were also granted 661,342 broker warrants, exercisable at a price of \$0.13 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 120%; (III) a risk-free interest rate of 4.755%; (IV) an expected life of 2 years and (V) a broker warrant price of \$0.13. Expected volatility was based on comparable companies. This resulted in a fair value of \$0.068 per broker warrant for a total of \$45,391.

The total share issuance costs for the issuance of the flow-through and non flow-through shares amounted to \$72,875, inclusive of the agent’s fees of \$51,794 as noted above.

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	-	3,180,000	
Cancelled	(975,000)	(975,000)	0.22
Balance, December 31, 2022	3,225,000	3,225,000	\$ 0.52
Granted	5,000,000	-	0.09
Granted	535,000	178,333	0.27
Vested	-	1,666,667	
Cancelled	(2,300,000)	(2,300,000)	0.70
Balance, December 31, 2023	6,460,000	2,770,000	0.13
Balance, March 31, 2024	6,460,000	2,770,000	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

FATHOM NICKEL INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED MARCH 31, 2024 and 2023

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 \$498,226. The options vest 1/3 at the grant date and 1/3 on each of the first and second anniversaries of the grant date. \$401,550 in share based compensation was expensed the year ended December 31, 2023 based on options that vested during the year.

Warrants

Share Purchase Warrants

	Mar. 31, 2024		Dec. 31, 2023	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance beginning of period	41,795,263	-	-	-
Issued	10,808,974	\$ 0.20	41,795,263	\$ 0.20
Exercised	-	-	-	-
Expired	-	-	-	-
Balance end of year	52,604,237	\$ 0.20	41,795,263	\$ 0.20

At March 31, 2024, the following warrants were outstanding:

Number of warrants	Exercise price	Expiry date
2,633,000	\$ 0.23	May 30, 2025 -
4,742,000	\$ 0.20	May 30, 2025-
7,894,737	\$ 0.20	June 9, 2025-
26,525,526	\$ 0.20	December 21, 2025
10,808,974	\$ 0.20	February 16, 2024
52,604,237	\$ 0.20	-

7. EARNINGS/LOSS PER SHARE

The calculation of basic loss per share for the three-month period ended March 31, 2024 of \$0.00 (2023 – \$0.01) was based on the loss attributable to shareholders of the Company of \$421,542 (2023 - \$595,293), and a weighted average number of common shares of 134,872,100 (2023 - 82,894,799).

FATHOM NICKEL INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED MARCH 31, 2024 and 2023

8. RELATED PARTIES

The following related party transactions occurred and were charged in the financial statements during the periods ended March 31, 2024 and 2023 as follows:

	Mar 31, 2024	Mar 31, 2023
Administrative and exploration-related consulting fees:		
Administrative consulting fees were charged by officers for corporate administrative and financial management services	\$ 45,000	\$ 66,285
Consulting fees were charged by officers for geological management of the Company's exploration and evaluation asset (Note 4)	\$ 21,000	\$ 50,865
Legal fees charged by a law firm of which a director of the Company is a partner	\$ 21,081	\$ 13,668

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 4). 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, 2023 - \$ Nil).

9. COMMITMENTS AND CONTINGENCIES

The Company completed three flow-through financings during the year ended December 31, 2023 for total gross proceeds of \$5,333,976 (Note 10). The Company is therefore required to incur qualifying exploration expenditures on eligible Canadian exploration and development expenses totalling \$5,333,976 prior to December 31, 2024 in order to satisfy the spending commitment in respect of funds raised via these flow-through financings in 2023. Between June and December 2023, the Company incurred sufficient qualifying exploration expenditures to satisfy approximately \$1,920,000 spending requirements related to its 2023 obligation. Thus, the Company partially derecognized the 2023 cumulative flow-through premium of \$1,003,500, reducing it to \$555,715 at year end. Prior to December 31, 2024, the Company is required to incur approximately \$3.4 million in qualifying exploration expenditures on eligible Canadian exploration and development expenses to satisfy the remaining spending commitment in respect of funds raised via flow-through financings in 2023.

As disclosed in Exploration and Evaluation Asset (Note 4), 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 mineral dispositions. Excess qualifying exploration expenditures can be carried forward indefinitely to be applied to future years' work requirements. At March 31, 2024, 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

FATHOM NICKEL INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED MARCH 31, 2024 and 2023

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.

On November 8, 2023 a Statement of Claim was filed in the Court of King's Bench, Alberta, naming Fathom as a defendant over the termination of the sublease of its Calgary office space. (See Note 5). The lawsuit that claims damages of up to \$143,000 resulting from the cancellation of the sublease. The Company's position is that the claim against it is without merit and any financial damages are the result of and the responsibility of the owner of the building. The maximum financial exposure to the Company in the event it is unsuccessful in defending the claim is estimated to be \$143,000.