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**POWER NICKEL INC.**  
**(FORMERLY CHILEAN METALS INC.)**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2022**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**

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**NOTICE TO READER**

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of management. The unaudited condensed consolidated interim financial statements have not been reviewed by the Company's auditors.

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**Power Nickel Inc.**

Formerly Chilean Metals Inc.

**Condensed Consolidated Interim Statements of Financial Position**

(Expressed in Canadian Dollars)

(Unaudited)

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	March 31, 2022	December 31, 2021
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 585,048	\$ 1,176,687
Amounts receivable (note 11)	69,744	102,688
Due from related party (note 11)	-	54,471
Advances, prepaid expenses and deposits	21,470	57,025
<b>Total current assets</b>	<b>676,262</b>	<b>1,390,871</b>
<b>Non-current assets</b>		
Equipment (note 3)	11,917	12,883
<b>Total assets</b>	<b>\$ 688,179</b>	<b>\$ 1,403,754</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (notes 11 and 13)	\$ 1,030,570	\$ 1,105,148
Due to related parties (note 11)	8,029	-
Flow-through liability (note 7 and 13)	188,222	219,722
Debentures payable (note 5)	735,711	703,363
Advances from shareholders (note 11)	7,000	7,000
<b>Total current liabilities</b>	<b>1,969,532</b>	<b>2,035,233</b>
<b>Non-current liabilities</b>		
Other liabilities (note 6)	55,464	55,464
<b>Total liabilities</b>	<b>2,024,996</b>	<b>2,090,697</b>
<b>Shareholders' deficiency</b>		
Issued capital (note 7)	68,406,458	68,376,098
Contributed surplus	5,348,691	5,201,630
Warrants (note 9)	1,282,228	1,290,088
Deficit	(76,374,194)	(75,554,759)
<b>Total shareholders' deficiency</b>	<b>(1,336,817)</b>	<b>(686,943)</b>
<b>Total liabilities and shareholders' deficiency</b>	<b>\$ 688,179</b>	<b>\$ 1,403,754</b>

Nature of operations and going concern (note 1)

Commitments and contingencies (notes 4 and 13)

The notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements.

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**Power Nickel Inc.**

Formerly Chilean Metals Inc.

**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss****(Expressed in Canadian Dollars)****(Unaudited)**

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	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Operating expenses</b>		
Administration fees (note 11)	\$ 87,500	\$ 93,032
Amortization (note 3)	966	1,380
Accretion, bank and interest fees (note 5)	32,964	28,450
Exploration expenditures (note 4)	124,145	5,398,749
Foreign exchange loss (gain)	44,201	(22,768)
Investor relations	353,873	58,690
Office and miscellaneous	12,135	15,627
Professional fees (note 11)	31,437	86,362
Share-based payments (note 8)	171,871	39,411
Transfer agent and regulatory	10,293	34,921
Travel, promotion and mining shows	6,360	73,192
<b>Net operating loss before other items</b>	<b>(875,745)</b>	<b>(5,807,046)</b>
<b>Other items</b>		
Flow-through liability amortization	31,500	-
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (844,245)</b>	<b>\$ (5,807,046)</b>
<b>Net loss and comprehensive loss per share</b>		
- basic and diluted (note 10)	\$ (0.01)	\$ (0.10)
<b>Weighted average number of common shares</b>		
outstanding - basic and diluted (note 10)	75,146,431	55,339,458

The notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements.

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**Power Nickel Inc.**

Formerly Chilean Metals Inc.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

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	Three months ended March 31,	
	2022	2021
<b>Operating activities</b>		
Net loss for the period	\$ (844,245)	\$ (5,807,046)
<i>Items not affecting cash:</i>		
Accrued interest and accretion	32,348	26,832
Amortization	966	1,380
Share-based payments	171,871	39,411
Shares issued for exploration properties	-	5,152,246
Flow-through liability amortization	(31,500)	-
<i>Non-cash working capital items:</i>		
Amounts receivable	32,944	146,558
Advances, prepaid expenses and deposits	35,555	6,697
Accounts payable and accrued liabilities	(74,578)	(78,956)
Net repayment to related parties	62,500	51,832
<b>Net cash used in operating activities</b>	<b>(614,139)</b>	<b>(461,046)</b>
<b>Financing activities</b>		
Exercise of options	-	259,000
Exercise of warrants	22,500	928,890
<b>Net cash provided by financing activities</b>	<b>22,500</b>	<b>1,187,890</b>
<b>Investing activities</b>		
Loan receivable	-	(50,000)
Proceeds loan receivable	-	50,411
<b>Net cash provided by investing activities</b>	<b>-</b>	<b>411</b>
<b>Net change in cash</b>	<b>(591,639)</b>	<b>727,255</b>
<b>Cash, beginning of period</b>	<b>1,176,687</b>	<b>179,272</b>
<b>Cash, end of period</b>	<b>\$ 585,048</b>	<b>\$ 906,527</b>

The notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements.

## Power Nickel Inc.

Formerly Chilean Metals Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian Dollars)

(Unaudited)

	Common Shares		Contributed Surplus	Warrants	Deficit	Total
	Number	Amount				
<b>Balance, December 31, 2020</b>	<b>44,337,226</b>	<b>\$ 58,328,714</b>	<b>\$ 4,096,158</b>	<b>\$ 1,611,502</b>	<b>\$ (65,353,716)</b>	<b>\$ (1,317,342)</b>
Share based compensation	-	-	39,411	-	-	39,411
Exercise of warrants	6,791,400	1,352,745	-	(348,855)	-	1,003,890
Exercise of options	3,050,000	759,595	(332,595)	-	-	427,000
Shares issued for exploration properties	16,620,147	5,152,246	-	-	-	5,152,246
Net comprehensive loss for the period	-	-	-	-	(5,807,046)	(5,807,046)
<b>Balance, March 31, 2021</b>	<b>70,798,773</b>	<b>\$ 65,593,300</b>	<b>\$ 3,802,974</b>	<b>\$ 1,262,647</b>	<b>\$ (71,160,762)</b>	<b>\$ (501,841)</b>
<b>Balance, December 31, 2021</b>	<b>84,785,773</b>	<b>\$ 68,376,098</b>	<b>\$ 5,201,630</b>	<b>\$ 1,290,088</b>	<b>\$ (75,554,759)</b>	<b>\$ (686,943)</b>
Share based compensation	-	-	171,871	-	-	171,871
Exercise of warrants	150,000	30,360	-	(7,860)	-	22,500
Option expiry	-	-	(24,810)	-	24,810	-
Net comprehensive loss for the period	-	-	-	-	(844,245)	(844,245)
<b>Balance, March 31, 2022</b>	<b>84,935,773</b>	<b>\$ 68,406,458</b>	<b>\$ 5,348,691</b>	<b>\$ 1,282,228</b>	<b>\$ (76,374,194)</b>	<b>\$ (1,336,817)</b>

The notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements.

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# Power Nickel Inc.

Formerly Chilean Metals Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2022

(Expressed in Canadian Dollars)

(Unaudited)

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## 1. Nature of operations and going concern

Power Nickel Inc. (formerly Chilean Metals Inc.) (the "Company" or "Power Nickel") is a mineral exploration company and is in the business of acquiring and exploring mineral properties in Chile and Canada. On July 9, 2021, the Company changed its name from "Chilean Metals Inc." to "Power Nickel Inc."

The Company is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of British Columbia. The Company's shares are listed on the TSX Venture Exchange ("TSX-V"), and Santiago Stock Exchange, Venture Market. The head office and principal address of the Company are located at the Canadian Venture Building, 82 Richmond Street East, Suite 202, Toronto, Ontario, M5C 1P1. The Company's registered and records office address is at Suite 700 – 595 Burrard Street, PO Box 49290, Vancouver, British Columbia, Canada, V7X 1S8.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company's property interests may also be subject to increases in taxes and royalties, renegotiation of contracts, and political uncertainty. The Company's Chilean mineral property maintenance payments are in arrears (see note 13) and as a result, the Copiapó Court has been notified by the General Treasury of the Republic of Chile. The Copiapó Court may initiate the auction of the properties. If the Company's claims are put up for auction the Company, as concession holder, is not allowed to place bids on its claims under auction; however, the concession holder may remove a concession from auction by paying the penalty amount which is equal to double the patent amount outstanding. Accordingly, there is a risk that the Company will not be able to retain title to its mineral claims in Chile.

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions.

These unaudited condensed consolidated interim financial statements have been prepared on the going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. These unaudited condensed consolidated interim financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. During the three months ended March 31, 2022, the Company incurred a net loss of \$844,245 (three months ended March 31, 2021 - \$5,807,046). As at March 31, 2022, the Company has incurred significant losses since inception totaling \$76,374,194 (December 31, 2021 - \$75,554,759). As at March 31, 2022, the Company has a working capital deficiency of \$1,293,270 (December 31, 2021 - working capital deficiency of \$644,362); the continuing operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that additional funds will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of material uncertainties that cast significant doubt as to the Company's ability to continue as a going concern and accordingly use accounting principles applicable to a going concern.

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# Power Nickel Inc.

Formerly Chilean Metals Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2022

(Expressed in Canadian Dollars)

(Unaudited)

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## 2. Basis of presentation

### *Statement of compliance*

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The preparation of financial statements in accordance with International Accounting Standards (IAS) 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to these unaudited condensed consolidated interim financial statements were the same as those that applied to the Company's annual consolidated financial statements as at and for the year ended December 31, 2022, except as noted below.

The same accounting policies and methods of computation are followed in these unaudited condensed consolidated interim financial statements as compared with the most recent annual financial statements as at and for the year ended December 31, 2021. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2022 could result in restatement of these unaudited condensed consolidated interim financial statements.

The policies applied in these unaudited condensed consolidated interim financial statements are based on IFRS, which have been applied consistently to all periods presented. These unaudited condensed consolidated interim financial statements were issued and effective as of May 30, 2022, the date the Board of Directors approved the statements.

### ***New standards not yet adopted***

#### *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*

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

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

This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

## Power Nickel Inc.

Formerly Chilean Metals Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2022

(Expressed in Canadian Dollars)

(Unaudited)

### 3. Equipment

<i>Cost</i>	<i>Automobiles</i>	<i>Field Equipment</i>	<i>Furniture and office equipment</i>	<i>Total</i>
<b>Balance, December 31, 2020, December 31, 2021 &amp; March 31, 2022</b>	<b>\$ 16,342</b>	<b>\$ 83,278</b>	<b>\$ 126,697</b>	<b>\$ 226,317</b>

<i>Accumulated amortization</i>	<i>Automobiles</i>	<i>Field Equipment</i>	<i>Furniture and office equipment</i>	<i>Total</i>
<b>Balance, December 31, 2020</b>	<b>\$ 967</b>	<b>\$ 82,322</b>	<b>\$ 124,625</b>	<b>\$ 207,914</b>
Additions	4,612	288	620	5,520
<b>Balance, December 31, 2021</b>	<b>5,579</b>	<b>82,610</b>	<b>125,245</b>	<b>213,434</b>
Additions	807	50	109	966
<b>Balance, March 31, 2022</b>	<b>\$ 6,386</b>	<b>\$ 82,660</b>	<b>\$ 125,354</b>	<b>\$ 214,400</b>

<i>Net book value</i>	<i>Automobiles</i>	<i>Field Equipment</i>	<i>Furniture and office equipment</i>	<i>Total</i>
<b>Balance, December 31, 2021</b>	<b>\$ 10,763</b>	<b>\$ 668</b>	<b>\$ 1,452</b>	<b>\$ 12,883</b>
<b>Balance, March 31, 2022</b>	<b>\$ 9,956</b>	<b>\$ 618</b>	<b>\$ 1,343</b>	<b>\$ 11,917</b>

### 4. Mineral exploration expenditures

Exploration and acquisition costs for the three months ended March 31, 2022 and March 31, 2021 are as follows:

	<i>Zulema</i>	<i>Nisk</i>	<i>Golden Ivan</i>	<i>Total</i>
Assays	\$ 3,423	\$ -	\$ -	\$ 3,423
Claim costs	2,100	-	-	2,100
Option payments	-	4,168,246	1,209,000	5,377,246
Field costs	1,303	-	-	1,303
Geological	14,677	-	-	14,677
<b>Three months ended March 31, 2021</b>	<b>\$ 21,503</b>	<b>\$ 4,168,246</b>	<b>\$ 1,209,000</b>	<b>\$ 5,398,749</b>

	<i>Zulema</i>	<i>Nisk</i>	<i>Golden Ivan</i>	<i>Total</i>
Claim costs	\$ 1,877	\$ -	\$ -	\$ 1,877
Drilling	-	34,287	-	34,287
Field costs	1,879	-	-	1,879
Geophysics and geological	36,326	28,103	21,673	86,102
<b>Three months ended March 31, 2022</b>	<b>\$ 40,082</b>	<b>\$ 62,390</b>	<b>\$ 21,673</b>	<b>\$ 124,145</b>



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# Power Nickel Inc.

Formerly Chilean Metals Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2022

(Expressed in Canadian Dollars)

(Unaudited)

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## 4. Mineral exploration expenditures (continued)

### (a) *Tierra de Oro, Chile*

Tierra de Oro is an exploration project located in Region III on the eastern flank of Chile's Coastal Iron Oxide Copper Gold belt. The Company owns a 100% interest in exploration concessions in Region III, Chile. See Note 1 and 13 for status of claims in Chile.

### (b) *Zulema also known as Chicharra Property, Chile*

The Company owns 100% of the rights to certain exploitation concessions and certain exploration concessions in Region III, Chile. See Note 1 and 13 for status of claims in Chile.

### (c) *Other Properties, Chile*

During the year ended December 31, 2020, the Government of Chile, released the Company from paying for a number of claims which had taxes owing (note 13). These claims related to non-core properties, and properties where the Company had ceased its exploration programs. See Note 1 and 13 for status of claims in Chile.

### (d) *Nisk Property, British Columbia, Canada*

On December 22, 2020 (the "Effective Date") the Company entered into an option agreement with Critical Elements Limited ("Critical") to acquire a 50% interest in the Nisk property (the "First Option"). Upon completion of the terms of the First Option the Company also has a Second Option to increase its interest from 50% to 80% by incurring or funding additional work in the amount of \$2,200,000 including a Resource Estimate for a period of four years from the effective date of completion of the First Option. On February 24, 2021 ("Closing Date") the Company closed the transaction.

Under the terms of the agreement the requirements to exercise the First Option are:

- (1) Make cash payments totaling \$500,000 to Critical on or before the dates set out below:
  - (i) A non-refundable amount of \$25,000 on the date of execution of the agreement; (paid)
  - (ii) An amount of \$225,000 within five (5) Business Days following the Effective Date; and (paid)
  - (iii) An amount \$250,000 within six (6) months from the Effective Date; (paid)
- (2) issue 12,051,770 Shares within five (5) Business Days following the Effective Date. (issued)
- (3) incur an aggregate of \$2,800,000 of exploration expenditures on the Property on or before the dates set out below:
  - (i) \$500,000 in exploration expenditures on or before the date that is one (1) year from the Closing Date; (completed)
  - (ii) \$800,000 in exploration expenditures on or before the date that is two (2) years from the Closing Date;
  - (iii) \$1,500,000 in exploration expenditures on or before the date that is three (3) years from Closing Date;

Following the exercise of the First Option Critical will receive a 2% net smelter return from the extraction and production of lithium products, of which the Company may reduce to 1% upon paying \$2,000,000 in cash.

In connection with closing of the Nisk property agreement, the Company issued to Paradox Equity Partners Ltd a finders fee of 668,377 shares on February 24, 2021.

The 12,720,147 common shares issued during the year ended December 31, 2021 in connection with this property option agreement were valued at \$3,943,246 based on the trading price of the Company's shares on the date of issuance.

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# Power Nickel Inc.

Formerly Chilean Metals Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2022

(Expressed in Canadian Dollars)

(Unaudited)

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## 4. Mineral exploration expenditures (continued)

(e) *Golden Ivan, British Columbia, Canada*

On January 14, 2021, the Company announced it finalized an option agreement dated October 7, 2020, to acquire 100% of the Golden Ivan property via a series of option payments and work commitments. On June 29, 2021, the agreement was revised to eliminate the cash payments and work commitment and expedite the payment by shares while reducing the overall quantity of shares by 1,000,000 shares from the original agreement. The revised terms are as follows:

- (i) 3,900,000 common shares within five Business Days after receipt of the TSXV Approval. These common shares were valued at \$1,209,000 based on the trading price of the Company's shares on the date of issuance.
- (ii) 6,500,000 common shares on or before June 29, 2021 subject to TSXV Approval. These common shares were valued at \$1,235,000 based on the trading price of the Company's shares on the date of issuance.

The Company has completed all option payments and has acquired a 100% interest subject only to a 2.5% NSR royalty. The Company retains the option to purchase 40% of this royalty for a one-time payment of \$1,000,000.

## 5. Debentures payable

(a) On August 24, 2018, the Company issued \$250,000 of secured debentures with a maturity of August 25, 2019 to a shareholder of the Company. The debenture bears interest at 14% per annum payable up front, \$35,000 was paid as of December 31, 2018. In addition, a finance cost of \$15,000 was paid as of September 30, 2019. As at December 31, 2019 the debentures were due on demand. The Company valued the debenture liability by calculating the present value of the principal and interest, discounted at a rate of 23%, being management's best estimate of the rate of a debenture with an arm's length creditor with similar terms.

During the year ended December 31, 2020, the debentures were extended to August 31, 2020, and then combined with debentures noted in (b) to form the debenture noted in (c).

(b) On December 3, 2018, the Company issued \$206,250 secured debentures with a maturity of December 3, 2019; The debentures bear interest at 14% per annum payable up front, \$28,875 was paid as of December 31, 2018. As at December 31, 2019 the debentures were due on demand. The Company valued the debenture liability by calculating the present value of the principal and interest, discounted at a rate of 30%, being management's best estimate of the rate of a debenture with an arm's length creditor with similar terms.

During the year ended December 31, 2020, the debentures were extended to August 31, 2020, and \$112,562 of interest and principal balance was repaid, the remaining portion of the debentures were combined with the debentures noted in (a) to form the debenture noted in (c).

(c) Effective September 28, 2020, the Company issued a debenture in the amount of \$702,000 which combined the balance of the debentures noted in (a), (b), and a portion of the advances which was payable to a significant shareholder of the Company into a single debenture. Under the terms of the agreement the debenture is repayable on September 28, 2022, with an interest rate of 14% per annum, and \$93,228 of the interest was prepaid. The debenture included 4,682,861 warrants issued to the lender.

The warrants are exercisable for a period of two years at an exercise price of \$0.13 per share and vest immediately. The debenture is accounted for as a compound financial instrument with a liability component, being the host debt contract, (the "host contract") and a separate equity component, being the warrants. At inception, the Company recognized the host debt at its fair value less transaction costs determined by discounting the net present value of future payments of interest and principal at the market rate for similar non-convertible liabilities at the time of issue (20%). The residual amount of \$49,514 was allocated to the warrants. The discount will be amortized over a 24 month period using the effective interest method at an effective interest rate of 18.65%.

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## Power Nickel Inc.

Formerly Chilean Metals Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2022

(Expressed in Canadian Dollars)

(Unaudited)

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### 5. Debentures and loans (continued)

All debentures were held with shareholders of the Company.

The debentures are secured against all assets of the Company.

A reconciliation of the debentures is as follows:

	March 31, 2022	December 31, 2021
<b>Opening balance</b>	<b>\$ 703,363</b>	<b>\$ 585,836</b>
Interest and accretion	32,348	117,527
<b>Ending balance</b>	<b>\$ 735,711</b>	<b>\$ 703,363</b>

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### 6. Other liabilities

During the year ended December 31, 2017, the Company transferred \$69,554 of accounts payable (the "Statute-barred Claims") to non-current liabilities on the basis that any claims in respect of the Statute-barred Claims were statute-barred under the Limitations Act (British Columbia). The Statute-barred Claims related to expenses billed by and third party liabilities incurred prior to December 2015. However, for accounting purposes under IFRS, a debt can only be removed from the Company's statement of financial position when it is extinguished meaning only when the contract is discharged or canceled or expires. The effect of the Limitations Act is to prevent a creditor from enforcing an obligation but it does not formally extinguish the debt for accounting purposes. It is the position of management of the Company that the Statute-barred Claims cannot be enforced by the creditors, do not create any obligation for the Company to pay out any cash and do not affect the financial or working capital position of the Company. The Statute-barred Claims are required to be reflected on the Company's statement of financial position as a result of the current interpretation of IFRS, but they are classified as long-term liabilities since the Company has no intention or obligation to pay these Statute-barred Claims and the creditors cannot enforce payment of the Statute-barred Claims. While inclusion of these items is intended solely to comply with the requirements of IFRS, the Company in no way acknowledges any of the Statute-barred Claims.

### 7. Issued capital

#### a) Authorized share capital

At March 31, 2022, the authorized share capital consisted of an unlimited number of common shares, non-voting Class A preference shares with a par value of \$4.00 and Class B preference shares with a par value of \$20.00. The common shares do not have a par value. No Class A or Class B preference shares have been issued.

#### b) Common shares issued

	Number of common shares	Amount
<b>Balance, December 31, 2020</b>	<b>44,337,226</b>	<b>\$ 58,328,714</b>
Exercise of options (i)	3,050,000	759,595
Exercise of warrants (ii)	6,791,400	1,352,745
Shares issued for mineral exploration properties (note 4(d)(e))	16,620,147	5,152,246
<b>Balance, March 31, 2021</b>	<b>70,798,773</b>	<b>\$ 65,593,300</b>

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# Power Nickel Inc.

Formerly Chilean Metals Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2022

(Expressed in Canadian Dollars)

(Unaudited)

## 7. Issued capital (continued)

b) Common shares issued (continued)

	Number of common shares	Amount
<b>Balance, December 31, 2021</b>	<b>84,785,773</b>	<b>\$ 68,376,098</b>
Exercise of warrants (iii)	150,000	30,360
<b>Balance, March 31, 2022</b>	<b>84,935,773</b>	<b>\$ 68,406,458</b>

(i) During the three months ended March 31, 2021, officers and directors exercised 3,050,000 stock options with a weighted average exercise price of \$0.14 and a black scholes value of \$332,595.

(ii) During the three months ended March 31, 2021, 6,791,400 warrants were exercised with a weighted average exercise price of \$0.15 and a black scholes value of \$348,855.

(iii) During the three months ended March 31, 2022, 150,000 warrants were exercised with a weighted average exercise price of \$0.15 and a black scholes value of \$7,860.

## 8. Stock options

The Company has implemented a stock option plan ("the Plan") to be administered by the Board of Directors. Pursuant to the Plan the Board of Director's has discretion to grant options for up to a maximum of 10% of the issued and outstanding common shares of the Company at the date the options are granted. The option price under each option shall be not less than the discounted market price on the grant date. The expiry date of an option shall be set by the Board of Directors at the time the option is awarded, and shall not be more than ten years after the grant date. Options granted to directors, employees and consultants, other than consultants engaged in investor relations activities, will vest immediately upon granting, unless otherwise approved by the relevant regulatory authorities. Options granted to employees and consultants engaged in investor relations activities will vest in stages over a minimum period of 12 months with no more than one-quarter of the options vesting in any three-month period.

The following table reflects the continuity of stock options for the periods presented:

	Number of stock options	Weighted average exercise price (\$)
<b>Balance, December 31, 2020</b>	<b>4,561,000</b>	<b>0.21</b>
Granted (i)	800,000	0.31
Exercised	(3,050,000)	0.14
<b>Balance, March 31, 2021</b>	<b>2,311,000</b>	<b>0.38</b>
<b>Balance, December 31, 2021</b>	<b>6,765,000</b>	<b>0.29</b>
Expired	(15,000)	1.70
Granted (ii)	1,600,000	0.14
<b>Balance, March 31, 2022</b>	<b>8,350,000</b>	<b>0.23</b>

# Power Nickel Inc.

Formerly Chilean Metals Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2022

(Expressed in Canadian Dollars)

(Unaudited)

## 8. Stock options (continued)

(i) During the three months ended March 31, 2021, the Company granted stock options to a consultant of the Company for the purchase of a total of 800,000 common shares. The options are exercisable for a period of two years at an exercise price of \$0.31 per share and with one fourth vesting immediately and one fourth vesting quarterly thereafter. The fair value of these options at the date of grant was estimated using the Black-Scholes option pricing model with the following assumptions: share price - \$0.31; risk free interest rate – 0.23%; expected volatility – 184% (which is based on historical volatility of the Company's share price); expected dividend yield - nil; expected life - 2 years. During the three months ended March 31, 2022, the Company recorded share based compensation of \$8,456 (three months ended March 31, 2021 - \$39,411) related to the grant in the unaudited condensed consolidated interim statement of loss and comprehensive loss.

(ii) During the three months ended March 31, 2022, the Company granted stock options to consultants, directors and officers of the Company for the purchase of a total of 1,600,000 common shares. 800,000 stock options were granted to directors and officers are exercisable for five years, the remaining 800,000 stock options were granted to two consultants which are exercisable for two years. The options have an exercise price of \$0.14, and vest immediately. The fair value of these options at the date of grant was estimated using the Black-Scholes option pricing model with the following assumptions: share price - \$0.14; risk free interest rate – 1.28% - 1.65%; expected volatility – 155% (which is based on historical volatility of the Company's share price); expected dividend yield - nil; expected life - 2 - 5 years. During the three months ended March 31, 2022, the Company recorded share based compensation of \$163,415 related to the grant in the unaudited condensed consolidated interim statement of loss and comprehensive loss.

The following table reflects the stock options issued and outstanding as of March 31, 2022:

<b>Expiry Date</b>	<b>Exercise Price (\$)</b>	<b>Remaining Contractual Life (years)</b>	<b>Number of Options Outstanding</b>	<b>Number of Options Vested (Exercisable)</b>
November 30, 2022	0.21	0.67	250,000	250,000
December 21, 2022	0.315	0.73	350,000	350,000
February 24, 2023	0.31	0.90	800,000	800,000
February 1, 2024	0.14	1.84	800,000	800,000
October 9, 2025	0.14	3.53	900,000	900,000
February 24, 2026	0.31	3.91	4,450,000	4,450,000
February 1, 2027	0.14	4.84	800,000	800,000
	<b>0.23</b>	<b>2.60</b>	<b>8,350,000</b>	<b>8,350,000</b>

## 9. Warrants

The following table reflects the continuity of warrants for the periods presented:

	<b>Number of warrants</b>	<b>Weighted average exercise price (\$)</b>
<b>Balance, December 31, 2020</b>	<b>26,342,906</b>	<b>0.20</b>
Exercised	(6,791,400)	0.15
<b>Balance, March 31, 2021</b>	<b>19,551,506</b>	<b>0.22</b>
<b>Balance, December 31, 2021</b>	<b>18,661,786</b>	<b>0.23</b>
Exercised	(150,000)	0.15
<b>Balance, March 31, 2022</b>	<b>18,511,786</b>	<b>0.23</b>

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## Power Nickel Inc.

Formerly Chilean Metals Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2022

(Expressed in Canadian Dollars)

(Unaudited)

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### 9. Warrants (continued)

The following table reflects the warrants issued as of March 31, 2022:

<b>Expiry Date</b>	<b>Exercise Price (\$)</b>	<b>Remaining Contractual Life (years)</b>	<b>Number of Warrants Outstanding</b>	<b>Grant date Fair Value (\$)</b>
April 22, 2022 <sup>(1)</sup>	0.15	0.06	8,317,625	790,635
October 1, 2022	0.13	0.50	4,682,861	49,514
October 30, 2022	0.25	0.58	216,000	36,595
October 30, 2022	0.40	0.58	228,000	34,670
June 8, 2023	0.45	1.19	1,682,334	241,761
June 8, 2023	0.45	1.19	3,384,966	486,439
	<b>0.23</b>	<b>0.49</b>	<b>18,511,786</b>	<b>1,639,614</b>

<sup>(1)</sup> On March 24, 2022, the Company announced that it has decided to accelerate the warrant expiry date of the warrant with an expiry date of October 2022 \$0.15. These warrants are subject to an acceleration clause which allows the Company to accelerate the expiry date if at any time after January 31, 2021 the closing price per common share is more than \$0.30 per common share for more than 10 consecutive trading days. With this acceleration notice, the Company has determined these warrants will expire on April 29, 2022.

### 10. Net loss per share

The calculation of basic and diluted loss per share for the three months ended March 31, 2022 was based on the loss attributable to common shareholders of \$844,245 (three months ended March 31, 2021 - \$5,807,046) and the weighted average number of common shares outstanding of 75,146,431 (three months ended March 31, 2021 - 55,339,458). Diluted loss per share did not include the effect of 8,350,000 options outstanding (three months ended March 31, 2021 - 2,311,000 options outstanding) or the effect of 18,511,786 warrants outstanding (three months ended March 31, 2021 - 19,551,506 warrants outstanding) as they are anti-dilutive.

### 11. Related party balances and transactions

Related parties include the Board of Directors, officers, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

As at March 31, 2022, the directors and/or officers of the Company collectively control 4,868,624 (December 31, 2021 - 3,891,429) common shares of the Company or approximately 5.7% (December 31, 2021 - 4.6%) of the total common shares outstanding and two insiders of the Company control 15,702,560 (December 31, 2021 - 15,702,560) common shares of the Company or approximately 19% (December 31, 2021 - 19%) of the total common shares outstanding. To the knowledge of directors and officers of the Company, the remainder of the outstanding common shares are held by diverse shareholders. These holdings can change at any time at the discretion of the owner.

# Power Nickel Inc.

Formerly Chilean Metals Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2022

(Expressed in Canadian Dollars)

(Unaudited)

## 11. Related party balances and transactions (continued)

(a) The Company entered into the following transactions with related parties:

	Notes	Three months ended March 31,	
		2022	2021
Administration expense	(iii)	\$ 87,500	\$ 93,750
Accounting expense		\$ 10,530	\$ 8,004

(i) For the three months ended March 31, 2022, the Company incurred consulting fees from companies controlled by an officer and a director of \$56,250 (three months ended March 31, 2021 - \$56,250) recorded in administration fees.

(ii) For the three months ended March 31, 2022, the Company incurred accounting expenses from companies related to an officer of \$10,530 (three months ended March 31, 2021 - \$8,004) recorded in professional fees.

(iii) For the three months ended March 31, 2022, the Company incurred directors fees of \$31,250 (three months ended March 31, 2021 - \$37,500) recorded in administration fees.

(iv) As at March 31, 2022, the Company has \$8,029 outstanding to an officer and director. As at December 31, 2021, the Company has \$54,471 outstanding from an officer and director. This amount is unsecured, non-interest bearing and due on demand.

(v) As at March 31, 2022, included in accounts payable and accrued liabilities is \$51,721 (December 31, 2021 - \$126,596) due to directors and key management, these amounts are unsecured, non-interest bearing, and due on demand.

(vi) As at March 31, 2022, the Company has a balance outstanding to shareholders of \$7,000 (December 31, 2021 - \$7,000). This amount is unsecured, due on demand, and non-interest bearing.

(vii) During the three months ended March 31, 2022, the Company repaid advances to shareholders of \$nil (three months ended March 31, 2021 - \$39,084).

(viii) See note 8, and 13.

Payments to directors and key management personnel of the Company include certain transactions with related parties in above, noted transactions are in the normal course of business and approved by the Board of Directors.

## 12. Segmented information

The Company operates in one industry segment, namely exploration of mineral resources in two geographic regions, Canada and Chile. Geographical segmentation of the Company's non-current assets is as follows:

March 31, 2022	Canada	Chile	Total
Equipment	\$ -	\$ 11,917	\$ 11,917
December 31, 2021	Canada	Chile	Total
Equipment	\$ -	\$ 12,883	\$ 12,883

## Power Nickel Inc.

Formerly Chilean Metals Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2022

(Expressed in Canadian Dollars)

(Unaudited)

### 12. Segmented information (continued)

Three months ended March 31, 2022	Canada	Chile	Total
<b>Operating expenses</b>			
Administration fees	\$ 87,500	\$ -	\$ 87,500
Amortization	-	966	966
Accretion, banking and interest fees	32,867	97	32,964
Exploration expenditures	84,063	40,082	124,145
Foreign exchange (gain)	(31,374)	75,575	44,201
Investor relations	353,873	-	353,873
Office and miscellaneous	4,632	7,503	12,135
Professional fees	29,869	1,568	31,437
Share-based payments	171,871	-	171,871
Transfer agent and regulatory	10,293	-	10,293
Travel, promotion and mining shows	6,360	-	6,360
Net operating loss before other items	(749,954)	(125,791)	(875,745)
<b>Other items</b>			
Flow-through liability amortization	31,500	-	31,500
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (718,454)</b>	<b>\$ (125,791)</b>	<b>\$ (844,245)</b>

Three months ended March 31, 2021	Canada	Chile	Total
<b>Operating expenses</b>			
Administration fees	\$ 93,032	\$ -	\$ 93,032
Amortization	-	1,380	1,380
Bank and interest fees	28,338	112	28,450
Exploration expenditures	5,377,246	21,503	5,398,749
Foreign exchange loss	(22,768)	-	(22,768)
Investor relations	58,690	-	58,690
Office and miscellaneous	9,997	5,630	15,627
Professional fees	62,499	23,863	86,362
Share-based payments	39,411	-	39,411
Transfer agent and regulatory	34,921	-	34,921
Travel, promotion and mining shows	73,192	-	73,192
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (5,754,558)</b>	<b>\$ (52,488)</b>	<b>\$ (5,807,046)</b>

### 13. Commitments and contingencies

#### Consulting

The Company has entered into consulting agreements with Director, companies controlled by Directors of the Company, and a corporation controlled by a person related to an Officer and Director of the Company. The obligation under these agreements amounts to \$350,000 per year.



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# Power Nickel Inc.

Formerly Chilean Metals Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2022

(Expressed in Canadian Dollars)

(Unaudited)

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## 13. Commitments and contingencies (continued)

### Flow-through

The Company is obligated to spend \$1,280,000 by December 31, 2022 relating to flow through private placement which closed on April 27, 2021. As at March 31, 2022, the Company has spent \$778,145 as part of the flow-through funding agreement. The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to flow-through participants. The Company has indemnified the subscribers for any related tax amounts that become payable by the subscribers as a result of the Company not meeting its expenditure commitments. The Company does not have sufficient working capital to cover its flow-through commitment, and intends to cover its flow-through commitment through additional equity financing.

### Flow-through indemnification

The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to flow-through participants. The Company indemnified the subscribers for any related tax amounts that become payable by the subscribers as a result of the Company not meeting its expenditure commitments. The Company has not fully met all of its expenditure commitments for previous flow-through financings. If the Canadian Revenue Agency ("CRA") determined that the Company was not compliant with their flow-through expenditure commitments, the Company may be liable to indemnify subscribers for any related tax amounts. No provision has been recorded in these unaudited condensed consolidated interim consolidated financial statements related to this contingency as various triggering events have not taken place.

The Company has estimated potential Part XII.6 taxes in relation to unspent flow-through expenditures for fiscal 2018-2019. As at March 31, 2022, the Company accrued \$32,163 (December 31, 2021 - \$32,163) for Part XII.6 taxes interest and penalties.

### Environmental and legal

The Company's operations are subject to government environmental protection legislation. Environmental consequences are difficult to identify in terms of results, timetable and impact. At this time, to management's best knowledge, the Company's operations are in compliance with current laws and regulations.

### Property taxes

As at March 31, 2022, the Company has unpaid property tax for various mineral exploration property claims totaling approximately 456,522,337 Chilean Pesos (\$726,022) (December 31, 2021 - 456,522,337 Chilean Pesos (\$677,333)) which has been included in accounts payable and accrued liabilities as at March 31, 2022. In the event that the claims are put up for tax auction, the Company expects to have a notice period to make the payment for the portion of this amount required (note 1). The property tax commitment for 2022 fiscal year is \$60,399,750 Chilean Pesos.

## 14. Subsequent events

On May 5, 2022 the Company announced that it has issued 5,557,125 shares as a result of warrant exercise for gross proceeds of \$833,569.