FLYING NICKEL MINING CORP.

Financial Statements
As at and for the Period from Incorporation on December 21, 2020 to December 31, 2021
(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Flying Nickel Mining Corp.

Opinion

We have audited the accompanying financial statements of Flying Nickel Mining Corp. (the "Company"), which comprise the statement of financial position as at December 31, 2021 and the statements of loss and comprehensive loss, changes in equity, and cash flows for the period from incorporation on December 21, 2020 to December 31, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Going Concern

We draw attention to Note 1 of the financial statements, which indicates that, as of that date, the Company has a deficit of $360,642. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Dylan Connelly.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

April 29, 2022

FLYING NICKEL MINING CORP.
Statement of Financial Position
As at December 31, 2021
(Expressed in Canadian Dollars)

	Notes		As at December 31, 2021
Assets			
Current assets			
Restricted cash	**7**	$	6,715,407
Prepaid expenses	**12**		400,138
Due from related party	**12**		868,688
Total assets		$	7,984,233
Liabilities and Equity			
Current liabilities			
Acccounts payable and accrued liabilities		$	362,072
Premium on flow-through shares	**8**		132,225
Liability for subscription receipts	**7**		6,376,712
			6,871,009
Equity			
Share Capital	**9**		1,247,240
Contributed Surplus	**9**		37,586
Warrants to be issued	**9**		189,040
Deficit			(360,642)
Total equity			1,113,224
Total liabilities and equity		$	7,984,233

Description of Business and Nature of Operations (Note 1)
Subsequent Events (Note 15)

Approved on behalf of the Board:

"John Lee" -- John Lee, Director and Chairman

"Mark Scott" -- Mark Scott, Director

Vancouver, British Columbia

April 29, 2022

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

FLYING NICKEL MINING CORP.
Statement of Operations and Comprehensive Loss
Period from Incorporation on December 21, 2020 to December 31, 2021
(Expressed in Canadian Dollars)

	Notes		Period from Incorporation on December 21, 2020 to December 31, 2021
General and Administrative Expenses			
Consulting	12	$	10,000
Directors fees	12		4,000
Listing expenses			42,041
Office and administration	12		134,460
Personnel			122,817
Professional fees			54,570
			367,888
Other items			
Recovery of flow-through liability	8		(7,246)
Loss and Comprehensive Loss for the Period		$	360,642
Loss per Common Share			
Basic		$	67.86
Diluted		$	67.86
Weighted Average Number of Common Shares Outstanding			
Basic			5,314
Diluted			5,314

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

FLYING NICKEL MINING CORP.
Statement of Changes in Equity
Period from Incorporation on December 21, 2020 to December 31, 2021
(Expressed in Canadian Dollars)

	Notes	Number of shares issued and outstanding	Share Capital	Contributed Surplus	Warrants to be Issued	Deficit	Total
Balance, Incorporation on December 21, 2020		-	$ -	$ -	$ -	$ -	$ -
Shares issued on incorporation		1	1	-	-	-	1
Flow through shares, net of cash share issuance costs	9	1,992,437	1,284,825	-	-	-	1,284,825
Agent warrants	9	-	(37,586)	37,586	-	-	-
Warrants issuable	9	-	-	-	189,040	-	189,040
Net loss and comprehensive loss for the period		-	-	-	-	(360,642)	(360,642)
Balance, December 31, 2021		1,992,438	$ 1,247,240	$ 37,586	$ 189,040	$ (360,642)	$ 1,113,224

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

FLYING NICKEL MINING CORP.
Statement of Cash Flows
Period from Incorporation on December 21, 2020 to December 31, 2021
(Expressed in Canadian Dollars)

	Notes		Period from Incorporation on December 21, 2020 to December 31, 2021
Operating Activities			
Net loss for period		$	(360,642)
Items not affecting cash			
Recovery of flow-through liability			(7,246)
Changes to working capital items			
Prepaid expenses			(400,138)
Due from related party	**12**		(868,687)
Accounts payable and accrued liabilities			362,072
Cash Used in Operating Activities			(1,274,641)
Financing Activities			
Net proceeds from subscription receipts (flow through)	**7,9**		1,424,296
Net proceeds from subscription receipts (non-flow through)	**7,9**		6,565,752
Cash Provided by Financing Activities			7,990,048
Net Increase in cash			6,715,407
Cash - beginning of period			-
Cash held in escrow			(6,715,407)
Cash - end of period		$	-

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

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Flying Nickel Mining Corp. (the "Company" or "NickelCo") was incorporated on December 21, 2020, under the laws of the province of British Columbia, Canada. The Company is part of a plan of arrangement (the "Arrangement") to be the target company for certain mineral property assets that are to be spun out from Silver Elephant Mining Corp. ("ELEF"). The Company maintains its registered and records office at Suite 1610 – 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2.

Following the completion of the transaction described in Note 2, the Company is now a premier nickel sulphide mining and exploration company, and is advancing its 100% owned Minago nickel project in the Thompson nickel belt in Manitoba, Canada. On March 4, 2022, the Company's common shares were publicly listed on the TSX Venture Exchange under the symbol "FLYN". The Company also announced on April 8, 2022 that its common shares have started trading on the US OTCPK under the symbol FLYNF and has applied to upgrade the listing to the OTCQB.

These annual financial statements (the "Annual Financial Statements") have been prepared under the assumption that the Company is a going concern, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. As at December 31, 2021, the Company has a deficit of $360,642. The operations of the Company were primarily funded by the issuance of capital stock and proceeds from option and warrant exercises.

The continued operations of the Company are dependent on its ability to develop a sufficient financing plan, receive continued financial support from related parties, complete sufficient public equity financings or generate profitable operations in the future. These material uncertainties may cast significant doubt on the entity's ability to continue as a going concern. The consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue its business.

Risks associated with Public Health Crises, including COVID-19

The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics, pandemics or other health crises, such as the outbreak of COVID-19 that was designated as a pandemic by the World Health Organization on March 11, 2020. The international response to the spread of COVID-19 has led to significant restrictions on travel, temporary business closures, quarantines, global stock market volatility and a general reduction in consumer activity. Such public health crises can result in operating, supply chain and project development delays and disruptions, global stock market and financial market volatility, declining trade and market sentiment, reduced movement of people and labour shortages, and travel and shipping

2. ARRANGEMENT AND TRANSFER OF ASSETS

As at December 31, 2021 ELEF was in the process of completing a strategic reorganization of the business through a statutory plan or arrangement (the **"Arrangement**") under the Business Corporations Act (British Columbia) dated November 8, 2021 pursuant to which it shall:

i. complete a consolidation of the outstanding share capital of ELEF whereby each 10 pre-consolidation ELEF share shall be exchanged for one post-consolidation ELEF share (completed – Note 15);
ii. transfer certain royalties presently held by ELEF in certain projects into RoyaltyCo (completed – Note 15);
iii. spin-out its Minago Nickel project mineral property assets ("Minago") into NickelCo (completed – Note 15);
iv. and spin-out its Nevada based Gibellini Vanadium project mineral property assets into VanadiumCo (completed – Note 15) (collectively, the SpinCos" or "SpinCo").

ELEF will transfer assets, as described above, to each SpinCo in consideration for the following:

- NickelCo will purchase the Minago Project assets from ELEF in exchange for the issuance of 50,000,000 NickelCo shares and the assumption of certain liabilities related to the underlying assets;
- RoyaltyCo will purchase the royalties from ELEF in exchange for the issuance of 1,785,430 RoyaltyCo shares;
- VanadiumCo will purchase the Gibellini Project assets from ELEF in exchange for the issuance of 50,000,000 VanadiumCo shares and the assumption of certain liabilities related to the underlying assets;
- RoyaltyCo will purchase certain of the outstanding shares of both VanadiumCo and NickelCo in exchange for the issuance of RoyaltyCo shares.

2. ARRANGEMENT AND TRANSFER OF ASSETS (continued)

Upon completion of the Arrangement:

i. the authorized share capital of ELEF shall be reorganized and its articles amended by the creation of an unlimited number of Class A Shares;
ii. and each ELEF shareholder will exchange each post-Consolidation ELEF share to receive: one share of each of NickelCo and VanadiumCo; two shares of RoyaltyCo; and one Class A share of ELEF

Holders of outstanding ELEF warrants and options after the Record Date will be entitled to receive, upon exercise of each such warrant and option at the same original exercise price and in accordance with the terms of such warrant and option, one share of each of NickelCo and VanadiumCo.; two shares of the RoyaltyCo (collectively, the "Reserved Shares"); and one Class A share of ELEF.

On December 22, 2021, the Company received shareholder approval of the Arrangement. On January 12, 2022, the Company received BC Supreme Court approval of the Arrangement. On January 14, 2022, the Company received regulatory approval and completed the Arrangement (Note 15).

3. BASIS OF PRESENTATION

Statement of compliance and basis of preparation

These Annual Financial Statements have been prepared in accordance with and using accounting policies in full compliance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting year ended December 31, 2021.

These Annual Financial Statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss ("**FVTPL**"), which are stated at their fair values. These Annual Financial Statements have been prepared using the accrual basis of accounting except for cash flow information. These Annual Financial Statements are presented in Canadian Dollars, except where otherwise noted.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Restricted cash

Restricted cash consists of cash proceeds received from subscription receipts in escrow with the Company's transfer agent and is invested in an interest-bearing bank account which is readily convertible to known amounts of cash.

(b) Unit offerings

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced, and any excess is allocated to warrants.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments

Classification

Financial assets are classified at initial recognition as either: measured at amortized cost, FVTPL or fair value through other comprehensive income ("FVOCI"). The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or the Company has opted to measure at FVTPL.

Measurement

Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in the consolidated statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in the consolidated statement of income (loss) and comprehensive income (loss) in the period in which they arise. Where the Company has opted to designate a financial liability at FVTPL, any changes associated with the Company's credit risk will be recognized in OCI. Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

Impairment

The Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with financial assets measured at amortized cost, contract assets and debt instruments carried at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Please refer to Note 10 for relevant fair value measurement disclosures.

(d) Flow-through shares

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby the premium paid for the flow-through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to other liabilities and included in profit or loss at the same time the qualifying expenditures are made.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Share-based payments

The Company has a share purchase option plan and accounts for share-based payments using a fair value-based method with respect to all share-based payments to directors, officers, employees, and service providers. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or if such fair value is not reliably measurable, at the fair value of the equity instruments issued. The fair value is recognized as an expense or capitalized to mineral properties or property and equipment with a corresponding increase in option reserve. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statement of income (loss) and consolidated income (loss) over the remaining vesting period.

Upon the exercise of the share purchase option, the consideration received, and the related amount transferred from option reserve are recorded as share capital.

(f) Loss/gain per share

Basic loss/gain per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options and warrants. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options and warrants. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss/gain per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

(g) Income taxes

Income tax expense comprises current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

5. CHANGES IN ACCOUNTING POLICIES

Future Accounting Pronouncements

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use. In May 2020, the IASB issued amendments to IAS 16, *Property, Plant and Equipment* (IAS 16). The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related costs in profit (loss). An entity is required to apply these amendments for annual reporting periods beginning on or after January 1, 2022. The amendments are applied retrospectively only to items of property, plant and equipment that are available for use after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. We are currently assessing the effect of this amendment on our financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current and Deferral of Effective Date. In January 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements, to provide a more general approach to the presentation of liabilities as current or non-current based on contractual arrangements in place at the reporting date.

These amendments:

- specify that the rights and conditions existing at the end of the reporting period are relevant in determining whether the Company has a right to defer settlement of a liability by at least twelve months;
- provide that management's expectations are not a relevant consideration as to whether the Company will exercise its rights to defer settlement of a liability; and
- clarify when a liability is considered settled.

On July 15, 2020, the IASB issued a deferral of the effective date for the new guidance by one year to annual reporting periods beginning on or after January 1, 2023 and is to be applied retrospectively. The Company has not yet determined the impact of these amendments on its financial statements.

6. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of a company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The Company bases its estimates and assumptions on current and various other factors that it believes to be reasonable under the circumstances. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows. The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

(a) Fair value measurement

The Company measures financial instruments at fair value at each reporting date. The fair values of financial instruments measured at amortized cost are disclosed in Note 10. Also, from time to time, the fair values of non-financial assets and liabilities are required to be determined, e.g., when the entity acquires a business, completes
an asset acquisition or where an entity measures the recoverable amount of an asset or cash-generating unit at fair value less costs of disposal. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Changes in estimates and assumptions about these inputs could affect the reported fair value.

(b) Contingencies

The assessment of contingencies involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against the Company and that may result in regulatory or government actions that may negatively impact the Company's business or operations, the Company and its legal counsel evaluate the perceived merits of the legal proceeding or unasserted claim or action as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to recognize as a contingent liability or when assessing the impact on the carrying value of the Company's assets. Contingent assets are not recognized in the Annual Financial Statements.

(c) Share-based payments

Management uses valuation techniques in measuring the fair value of share purchase options granted. The fair value is determined using the Black Scholes option pricing model which requires management to make certain estimates, judgement, and assumptions in relation to the expected life of the share purchase options and share purchase warrants, expected volatility, expected risk-free rate, and expected forfeiture rate. Changes to these assumptions could have a material impact on the Annual Financial Statements.

Going concern determination

The evaluation of the Company's ability to continue as a going concern, to raise additional financing in order to cover its operating expenses and its obligations for the upcoming year requires significant judgment based on past experience and other assumptions including the probability that future events are considered reasonable according to the circumstances. Please refer to Note 1 for further information.

7. SUBSCRIPTION RECEIPTS

On November 29, 2021, pursuant to the Arrangement (Note 2), the Company issued:

(i) 10,094,033 subscription receipts of the Company (each, a “Non-FT Subscription Receipt”) at a price of $0.70 per Non-FT Subscription Receipt for gross proceeds of $7,065,824 from the sale of Non-FT Subscription Receipts; and
(ii) 1,992,437 flow-through eligible subscription receipts of the Company (each, a “FT Subscription Receipt) at a price of $0.77 per FT Subscription Receipt for gross proceeds of $1,534,176;

On December 30, 2021, gross proceeds of $1,534,176 were released from escrow to Flying Nickel upon converting an aggregate of 1,992,437 FT Subscription Receipts into 1,992,437 flow-through common shares of Flying Nickel at a price of $0.77 per share (Note 9).

Gross proceeds of $7,065,824 from the issuance of 10,094,033 NFT Subscription Receipts of the Company remain subject to escrow as at December 31, 2021 to be released to the Company upon satisfaction of certain additional escrow release conditions, including receipt of final approval of the Supreme Court of British Columbia, in connection with the Arrangement. The Company incurred broker commissions and out-of-pocket costs of $500,072. Warrants issuable of $189,040 were recorded as equity (Note 9) and added to deferred transaction costs to be netted against the subscription receipts.

See subsequent events in Note 15 regarding completion of the Arrangement and conversion and release of escrowed proceeds.

8. PREMIUM ON FLOW-THROUGH SHARES

During the period ended December 31, 2021, the Company issued 1,992,437 flow-through shares for gross proceeds of $1,534,176 (Notes 7 and 9) and recognized a deferred premium of flow-through shares of $139,471.

As at December 31, 2021, the Company recognized a recovery of the deferred premium of $7,246 based on expenses incurred by ELEF against the Minago Nickel project.

9. SHARE CAPITAL

a) Authorized share capital

The authorized share capital of the Company consists of an unlimited number of Common Shares without par value. As at December 31, 2021, the Company had 1,992,438 common shares issued and outstanding.

b) Issued share capital

During the period from incorporation on December 21, 2020 to December 31, 2021

On December 30, 2021, a total of 1,992,437 FT Subscription Receipts (Note 7) were converted into 1,992,437 flow-through common shares of the Company at a price of $0.77 per share, for gross proceeds of $1,534,176. The gross proceeds of the flow-through common shares were allocated to share capital and the deferred premium on flow-through shares based on the fair value of the common shares on the issuance date. As a result, an amount of $139,471 was allocated to the deferred premium on flow-through shares. The Company incurred broker commissions and out-of-pocket costs of $109,880 which has been recorded as share issuance costs. An aggregate of 119,546 broker warrants with a fair value of $37,586 were issued, with each broker warrant entitling the holder to acquire one common share of the Company at an exercise price of $0.70 per common share until November 29, 2023.

On December 21, 2020, the Company issued one founder share with a fair value of $1 upon incorporation of the Company to ELEF.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

c) Share purchase warrants

The following is a summary of changes in the Company's share purchase warrants during the period ended December 31, 2021.

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 21, 2020	-	$ -
Issued	119,546	0.70
Outstanding, December 31, 2021	119,546	$ 0.70

The fair value of $37,586 of the issued warrants was determined using the Black-Scholes option pricing model using the following assumptions: (1) a risk-free interest rate of 0.96%; (2) expected life of two years; (3) expected volatility of 83%, and (4) dividend yield of nil.

As of December 31, 2021, the following broker warrants were outstanding:

Exercise Price	Expiry	Number of Warrants as at December 31, 2021
$0.70	November 29, 2023	119,546

In connection with the Arrangement, further broker warrants are issuable upon completion of the Arrangement and upon satisfaction of certain escrow conditions as follows (see Note 15):

- An aggregate of 597,069 broker warrants to be issued to the agents with each broker warrant entitling the holder to acquire one common share of the Company at an exercise price of $0.70 per common share until November 29, 2023. The fair value of $189,040 of the issuable warrants was determined using the Black-Scholes option pricing model using the following assumptions: (1) a risk-free interest rate of 0.96%; (2) expected life of two years; (3) expected volatility of 83%, and (4) dividend yield of nil.

d) Share based compensation plan

The Company has a 10% rolling equity-based compensation plan in place, as approved by the Company's shareholders on December 22, 2021 (the "2021 Plan"). Under the 2021, Plan the Company may grant stock options, bonus shares or stock appreciation rights. All stock options and other share-based awards granted by the Company, or to be granted by the Company, since the implementation of the 2021 Plan will be issued under, and governed by, the terms and conditions of the 2021 Plan. The stock option vesting terms are determined by the Board of Directors on the date of grant with a maximum term of 10 years.

(Expressed in Canadian Dollars)

10. FINANCIAL INSTRUMENTS

a) Fair Value

Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. The Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means; and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest to Level 3 inputs. The following table sets forth the Company's financial assets and financial liabilities measured at fair value by level within the fair value hierarchy.

	Level 1	Level 2	Level 3
Financial assets:			
Restricted cash, December 31, 2021	$ 6,715,407	$ -	$ -

Categories of financial instruments

The Company considers that the carrying amount of all its financial assets and financial liabilities measured at amortized cost approximates their fair value due to their short term nature. Restricted cash approximates fair value due to the nature of the instrument. The Company does not offset financial assets with financial liabilities. There were no transfers between Level 1, 2 and 3 for the period ended December 31, 2021.

The Company's financial assets and financial liabilities are categorized as follows:

	December 31, 2021
Financial assets:	
Fair value through profit or loss	
Restricted Cash	$ 6,715,407
Amortized cost	
Due from related party	868,688
	$ 7,584,095

Financial liabilities:	
Amortized cost	
Accounts payable and accrued liabilities	$ 362,072
Liability for subscription receipts	6,376,712
	$ 6,738,784

10. FINANCIAL INSTRUMENTS (continued)

b) Financial risk management

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company reduces its credit risk on restricted cash by placing these instruments with institutions of high credit worthiness. As at December 31, 2021, the Company's maximum exposure to credit risk is the carrying value of its financial assets.

Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its financial obligations as they fall due. The Company manages liquidity risk by preparing cash flow forecasts of upcoming cash requirements. As at December 31, 2021, the Company had restricted cash of $6,715,407 and had accounts payable and accrued liabilities of $362,072, which have contractual maturities of 90 days or less.

The restricted cash balance is subject to certain escrow release conditions in connection with the Arrangement. In the event these conditions are not met, the Company must return to the purchasers of the subscription receipts their purchase price plus its pro-rata portion of any interest earned thereon.

The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of its mineral property interests. The Company coordinates this planning and budgeting process with its financing activities through the capital management process in normal circumstances.

Market Risk

The significant market risks to which the Company is exposed are interest rate risk, currency risk and equity price risk.

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's restricted cash are in escrow with the Company's transfer agent and is invested in an interest-bearing bank account and therefore there is currently minimal interest rate risk.

Because of the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as at December 31, 2021.

(ii) Currency Risk

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. As at December 31, 2021, the Company had no financial instruments denominated in foreign currencies and is not exposed to any currency risk.

(iii) Equity Price Risk

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken. Fluctuations in value may be significant.

(Expressed in Canadian Dollars)

11. CAPITAL RISK MANAGEMENT

Management considers its capital structure to consist of share capital, share purchase options and warrants. The Company manages its capital structure and makes adjustments to it, based on the funds available to, and required by the Company in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative returns on capital criteria for management. In order to facilitate the management of its capital requirement, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors. The annual and updated budgets are approved by the Board of Directors.

The properties, to which the Company currently has an interest in, are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. There were no changes in managements approach to capital management during the period ended December 31, 2021. The Company is not subject to externally imposed capital requirements.

12. RELATED PARTY TRANSACTIONS AND BALANCES

a) Related party balances

		As at December 31, 2021
Prepaid expenses	$	400,138
Due from related party		868,688
Accounts payable and accrued liabilities		14,000
	$	1,282,826

The Company has entered into a Mutual Management Service Agreement (the “Agreement”) with ELEF, which commenced December 1, 2021, pursuant to which the Companies will provide each other with all general, technical and administrative services reasonably requested. The Company prepaid $500,000 pursuant to the Agreement and recorded $99,862 in related fees.

The Due from related party balance as at December 31, 2021 represents the remaining balance receivable from ELEF upon the conversion of the FT Subscriptions Receipts after payment of the advance on the Agreement with ELEF and other expenses.

Included in accounts payable and accrued liabilities was $14,000 as at December 31, 2021 of which $4,000 were payable for director fees and $10,000 was due to a private company controlled by John Lee, Executive Chairman of the Company.

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Key management personnel compensation

During the period from incorporation on December 21, 2020 to December 31, 2021, the Company had related party transactions with key management personnel and a private company controlled by John Lee, Executive Chairman of the Company, in providing management and consulting services to the Company.

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include executive and non-executive directors. Key management personnel compensation is comprised of:

	Period from Incorporation on December 21, 2020 to December 31, 2021	
Consulting	$	10,000
Directors' fees		4,000
Salaries and wages		109,438
	$	123,438

13. SUPPLEMENTAL CASH FLOW INFORMATION

	Period from Incorporation on December 21, 2020 to December 31, 2021	
Supplementary information		
Non-cash Financing and Investing Activities		
Flow-through liability premium	$	139,471
Agent warrants	$	37,586
Agent warrants issuable	$	189,040

The Company paid no interest or taxes during the period presented.

(Expressed in Canadian Dollars)

14. INCOME TAXES

The reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is as follows:

		2021
Income (loss) for the year	$	(360,642)
Expected income tax (recovery)	$	(97,000)
Change in statutory, foreign tax, foreign exchange rates and other		-
Permanent differences		-
Impact of flow through shares		22,000
Share issue cost		(165,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses		-
Change in unrecognized deductible temporary differences		240,000
Total income tax expense (recovery)	**$**	**-**
Current income tax	**$**	**-**
Deferred income tax	**$**	**-**

The significant components of the Company's deferred tax assets and liabilities are as follows:

		2021
Deferred tax assets (liabilities)		
Mineral properties - assigned	$	(22,000)
Non-capital losses		22,000
Net deferred tax liability	**$**	**-**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

		2021	Expiry Date Range
Temporary Differences			
Share issue costs	$	610,000	2042 to 2045
Non-capital losses available for future periods	$	403,000	2042

15. SUBSEQUENT EVENTS

- On January 14, 2022, ELEF completed the Arrangement. Pursuant to the Arrangement, the common shares of the ELEF were consolidated on a 10:1 basis and each holder of common shares of ELEF received in exchange for every 10 pre-Consolidation common shares held: (i) one post Consolidation common share of ELEF; (ii) one common share of NickelCo; (iii) one common share of VanadiumCo, and (iv) two common shares of RoyaltyCo.

- On January 14, 2022, pursuant to the Arrangement, the Company issued 50,000,000 common shares in consideration for certain mineral property assets.

- On January 14, 2022 and February 28, 2022, a total of 5,844,033 and 4,250,000 non-FT Subscription Receipts (Note 7) were converted into 5,844,033 and 4,250,000 units (the "Units") of the Company at a price of $0.70 per Unit, with each Unit consisting of one common share and one-half of one common share purchase warrant exercisable at a price of $1.00 until November 29, 2023, for gross proceeds of $7,065,824. The Company incurred broker commissions and out-of-pocket costs of $500,072 which has been recorded as share issuance costs. An aggregate of 597,069 broker warrants with a fair value of $189,040 were issued, with each broker warrant entitling the holder to acquire one common share of the Company at an exercise price of $0.70 per common share until November 29, 2023.

- The Company is listed as a Tier 1 mineral exploration issuer on the TSXV, and trading of its Shares commenced at market open on March 4, 2022 under the trading symbol "FLYN". On April 8, 2022, the Company commenced trading of its common shares on the US OTCPK under the symbol FLYNF, and has applied to upgrade the listing to the OTCQB.

- The Company has granted stock options to acquire up to 5,610,000 common shares to certain directors, officers and consultants. The stock options are exercisable for a five-year term with 5,160,000 of the options expiring on March 4, 2027 with an exercise price of $0.70 per common share, 150,000 options expiring on March 17, 2027 with an exercise price of $0.74 per common share, and 300,000 options expiring on April 20, 2027 with an exercise price of $0.53 per common share. The options are subject to vesting provisions, with 12.5% vesting per quarter for the first two years following the grant date.