
POWER NICKEL INC.
(FORMERLY CHILEAN METALS INC.)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED JUNE 30, 2021
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

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.

Power Nickel Inc.

Formerly Chilean Metals Inc.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

	June 30, 2021	December 31, 2020
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ASSETS		
Current assets		
Cash	\$ 2,318,225	\$ 179,272
Amounts receivable (note 11)	66,322	194,301
Due from related party (note 11)	184,700	60,662
Advances, prepaid expenses and deposits	115,843	50,054
Total current assets	2,685,090	484,289
Non-current assets		
Equipment (note 3)	15,643	18,403
Total assets	\$ 2,700,733	\$ 502,692
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LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities (notes 11 and 13)	\$ 943,823	\$ 1,118,560
Due to related parties (note 11)	-	39,084
Flow-through liability (note 7 and 13)	480,000	-
Advances from shareholders (note 11)	7,000	7,000
Total current liabilities	1,430,823	1,164,644
Non-current liabilities		
Debenture payable (note 5)	641,588	585,836
Other liabilities (note 6)	69,554	69,554
Total liabilities	2,141,965	1,820,034
Shareholders' equity (deficiency)		
Issued capital (note 7)	67,686,255	58,328,714
Contributed surplus	5,220,409	4,096,158
Warrants (note 9)	1,327,182	1,611,502
Deficit	(73,675,078)	(65,353,716)
Total shareholders' equity (deficiency)	558,768	(1,317,342)
Total liabilities and shareholders' equity (deficiency)	\$ 2,700,733	\$ 502,692

Nature of operations and going concern (note 1)

Commitments and contingencies (notes 4 and 13)

Subsequent events (note 14)

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 Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
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Operating expenses				
Administration fees (note 11)	\$ 119,456	\$ 77,847	\$ 212,488	\$ 164,900
Amortization (note 3)	1,380	350	2,760	700
Accretion, bank and interest fees (note 5)	29,782	14,624	58,232	53,086
Exploration expenditures (note 4)	714,278	17,543	6,113,027	33,642
Foreign exchange loss (gain)	(1,900)	(25,582)	(24,668)	(13,065)
Investor relations	167,871	-	226,561	28,125
Office and miscellaneous	12,452	8,821	28,079	10,593
Professional fees (note 11)	18,502	34,599	104,864	68,935
Share-based payments (note 8)	1,417,435	-	1,456,846	-
Transfer agent and regulatory	22,458	6,217	57,379	9,034
Travel, promotion and mining shows	12,602	3,009	85,794	9,462
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Net operating loss before other items	(2,514,316)	(137,428)	(8,321,362)	(365,412)
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Other items				
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Net loss and comprehensive loss for the period	\$ (2,514,316)	\$ (137,428)	\$ (8,321,362)	\$ (365,412)
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Net loss and comprehensive loss per share				
- basic and diluted (note 10)	\$ (0.03)	\$ (0.01)	\$ (0.13)	\$ (0.03)
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Weighted average number of common shares				
outstanding - basic and diluted (note 10)	75,779,542	14,161,976	65,615,964	14,161,976

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 Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

	Six months ended June 30,	
	2021	2020
Operating activities		
Net loss for the period	\$ (8,321,362)	\$ (365,412)
<i>Items not affecting cash:</i>		
Accrued interest and accretion	55,341	53,086
Amortization	2,760	700
Share-based payments	1,456,846	-
Shares issued for exploration properties	5,772,346	-
Unrealized foreign exchange gain	-	(5,020)
<i>Non-cash working capital items:</i>		
Amounts receivable	127,979	(29,005)
Advances, prepaid expenses and deposits	(65,789)	25,178
Accounts payable and accrued liabilities	(174,737)	75,164
Repayment (advances) from related parties	79,878	56,405
Net cash used in operating activities	(1,066,738)	(188,904)
Financing activities		
Proceeds from private placement	2,180,000	-
Shares issuance costs	(182,235)	-
Advances from shareholders	-	185,569
Exercise of options	259,000	-
Exercise of warrants	948,515	-
Net cash provided by financing activities	3,205,280	185,569
Investing activities		
Loan receivable	(50,000)	-
Proceeds loan receivable	50,411	-
Net cash provided by investing activities	411	-
Net change in cash	2,138,953	(3,335)
Cash, beginning of period	179,272	7,438
Cash, end of period	\$ 2,318,225	\$ 4,103

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' Equity (Deficiency)

(Expressed in Canadian Dollars)

(Unaudited)

	Common Shares		Contributed			
	Number	Amount	Surplus	Warrants	Deficit	Total
Balance, December 31, 2019	14,161,976	\$ 56,307,489	\$ 3,608,887	\$ 728,200	\$ (63,314,606)	\$ (2,670,030)
Net comprehensive loss for the period	-	-	-	-	(365,412)	(365,412)
Balance, June 30, 2020	14,161,976	\$ 56,307,489	\$ 3,608,887	\$ 728,200	\$ (63,680,018)	\$ (3,035,442)
Balance, December 31, 2020	44,337,226	\$ 58,328,714	\$ 4,096,158	\$ 1,611,502	\$ (65,353,716)	\$ (1,317,342)
Private placement	6,800,000	2,180,000	-	-	-	2,180,000
Flow-through liability	-	(480,000)	-	-	-	(480,000)
Share issuance cost	-	(182,235)	-	-	-	(182,235)
Broker warrants	-	(71,265)	-	71,265	-	-
Share based compensation	-	-	1,456,846	-	-	1,456,846
Exercise of warrants	6,928,900	1,379,100	-	(355,585)	-	1,023,515
Exercise of options	3,050,000	759,595	(332,595)	-	-	427,000
Shares issued for exploration properties	23,120,147	5,772,346	-	-	-	5,772,346
Net comprehensive loss for the period	-	-	-	-	(8,321,362)	(8,321,362)
Balance, June 30, 2021	84,236,273	\$ 67,686,255	\$ 5,220,409	\$ 1,327,182	\$ (73,675,078)	\$ 558,768

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

Power Nickel Inc.

Formerly Chilean Metals Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three and Six Months Ended June 30, 2021

(Expressed in Canadian Dollars)

(Unaudited)

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 Copiapo 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 and six months ended June 30, 2021, the Company incurred a net loss of \$2,514,316 and \$8,321,362, respectively (three and six months ended June 30, 2020 - \$137,428 and \$365,412, respectively). As at June 30, 2021, the Company has incurred significant losses since inception totaling \$73,675,078 (December 31, 2020 - \$65,353,716). As at June 30, 2021, the Company has a working capital surplus of \$1,254,267 (December 31, 2020 - working capital deficiency of \$680,355); 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 may 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.

Power Nickel Inc.

Formerly Chilean Metals Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three and Six Months Ended June 30, 2021

(Expressed in Canadian Dollars)

(Unaudited)

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, 2021, 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, 2020. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2021 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 August 30, 2021, the date the Board of Directors approved the statements.

New standards not yet adopted

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for annual periods beginning on or after January 1, 2022 or later periods.

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, 2022. 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 and Six Months Ended June 30, 2021

(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>
Balance, December 31, 2019	\$ -	\$ 83,278	\$ 126,697	\$ 209,975
Additions	16,342	-	-	16,342
Balance, December 31, 2020 & June 30, 2021	\$ 16,342	\$ 83,278	\$ 126,697	\$ 226,317

<i>Accumulated amortization</i>	<i>Automobiles</i>	<i>Field Equipment</i>	<i>Furniture and office equipment</i>	<i>Total</i>
Balance, December 31, 2019	\$ -	\$ 81,910	\$ 123,461	\$ 205,371
Additions	967	412	1,164	2,543
Balance, December 31, 2020	967	82,322	124,625	207,914
Additions	2,306	144	310	2,760
Balance, June 30, 2021	\$ 3,273	\$ 82,466	\$ 124,935	\$ 210,674

<i>Net book value</i>	<i>Automobiles</i>	<i>Field Equipment</i>	<i>Furniture and office equipment</i>	<i>Total</i>
Balance, December 31, 2020	\$ 15,375	\$ 956	\$ 2,072	\$ 18,403
Balance, June 30, 2021	\$ 13,069	\$ 812	\$ 1,762	\$ 15,643

4. Mineral exploration expenditures

Exploration and acquisition costs for the six months ended June 30, 2021 and June 30, 2020 are as follows:

	<i>Zulema</i>	<i>Nisk</i>	<i>Golden Ivan</i>	<i>Total</i>
Claim costs	\$ 7,088	\$ -	\$ -	\$ 7,088
Field costs	26,554	-	-	26,554
Six months ended June 30, 2020	\$ 33,642	\$ -	\$ -	\$ 33,642

	<i>Zulema</i>	<i>Nisk</i>	<i>Golden Ivan</i>	<i>Total</i>
Assays	\$ 3,423	\$ -	\$ -	\$ 3,423
Claim costs	4,157	-	-	4,157
Option payments	-	4,168,246	1,829,100	5,997,346
Field costs	20,075	-	-	20,075
Geophysics and geological	51,827	21,885	14,314	88,026
Six months ended June 30, 2021	\$ 79,482	\$ 4,190,131	\$ 1,843,414	\$ 6,113,027

(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.

Power Nickel Inc.

Formerly Chilean Metals Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three and Six Months Ended June 30, 2021

(Expressed in Canadian Dollars)

(Unaudited)

4. Mineral exploration expenditures (continued)

(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.

(c) *Lynn, Parrsboro and Bass River Properties, Canada*

The Lynn, Parrsboro and Bass River Properties are located in central Nova Scotia, Canada. During the year ended December 31, 2020, the Company has ceased its exploration efforts in Nova Scotia.

(d) *Other Properties, Chile*

During the year ended December 31, 2020, the Government of Chile, released Chilean 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.

(e) *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.

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

- (a) 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;
- (b) issue 12,051,770 Shares within five (5) Business Days following the Effective Date. (issued)
- (c) 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 Effective Date;
 - (ii) \$800,000 in exploration expenditures on or before the date that is two (2) years from Effective Date; and
 - (iii) \$1,500,000 in exploration expenditures on or before the date that is three (3) years from Effective 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 Chilean may reduce to 1% upon paying \$2,000,000 in cash.

On January 14, 2021 (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.

Power Nickel Inc.

Formerly Chilean Metals Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three and Six Months Ended June 30, 2021

(Expressed in Canadian Dollars)

(Unaudited)

4. Mineral exploration expenditures (continued)

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

On January 14, 2021, the Company announced it finalized an 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; (issued)
- (ii) 6,000,000 common shares on or before June 29, 2021 subject to TSXV Approval; (issued)

On performance of the payments noted above and completion of the work commitments the Company would acquire 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%.

All debentures were held with shareholders of the Company.

Power Nickel Inc.

Formerly Chilean Metals Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three and Six Months Ended June 30, 2021

(Expressed in Canadian Dollars)

(Unaudited)

5. Debentures and loans (continued)

The debentures are secured against all assets of the Company.

A reconciliation of the debentures is as follows:

	June 30, 2021	Dec 31, 2020
Opening balance	\$ 585,836	\$ 472,392
Amounts transferred from due to related parties	-	144,688
Repayments of debentures	-	(62,562)
Allocation of warrants	-	(49,514)
Interest and accretion	55,752	80,832
Ending balance	\$ 641,588	\$ 585,836

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 June 30, 2021, 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.

Power Nickel Inc.

Formerly Chilean Metals Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three and Six Months Ended June 30, 2021

(Expressed in Canadian Dollars)

(Unaudited)

7. Issued capital (continued)

b) Common shares issued

	Number of common shares	Amount
Balance, December 31, 2019 and June 30, 2020	14,161,976	\$ 56,307,489
Balance, December 31, 2020	44,337,226	\$ 58,328,714
Private placements (iii)	6,800,000	2,180,000
Flow-through premium (iii)	-	(480,000)
Share issuance costs (iii)	-	(182,235)
Broker warrants issued (iii)	-	(71,265)
Exercise of options (i)	3,050,000	759,595
Exercise of warrants (ii)	6,928,900	1,379,100
Shares issued for mineral exploration properties (note 4 e and f)	23,120,147	5,772,346
Balance, June 30, 2021	84,236,273	\$ 67,686,255

(i) During the six months ended June 30, 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 six months ended June 30, 2021, 6,928,900 warrants were exercised with a weighted average exercise price of \$0.15 and a black scholes value of \$355,585.

(iii) On April 27, 2021, the Company announced the closing of a non-brokered private placement financing for gross proceeds of \$2,180,000 of which \$900,000 was raised from the issuance of 3,600,000 common shares at \$0.25 per share and \$1,280,000 was raised from the issuance of 3,200,000 flow-through shares at \$0.40 per flow-through share. The Company recorded a flow-through liability of \$480,000 related to the issuance of the flow-through shares (note 13).

The Company incurred broker fees of \$182,235 and issued 216,000 broker warrants exercisable at \$0.25 for a period of 18 months, and 228,000 broker warrants exercisable at \$0.40 for a period of 18 months. The broker warrants were valued at \$36,595 and \$34,670 respectively using the Black-Scholes option-pricing model. The following weighted average assumptions were used: share price - \$0.24; risk free interest rate - 0.3%; expected volatility - 173% (which is based on historical volatility of the Company's share price); expected dividend yield - nil; expected life - 1.5 years.

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.

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8. Stock options (continued)

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

	Number of stock options	Weighted average exercise price (\$)
Balance, December 31, 2019 and June 30, 2020	261,000	1.54
Balance, December 31, 2020	4,561,000	0.21
Granted (i)	5,500,000	0.31
Exercised	(3,050,000)	0.14
Balance, June 30, 2021	7,011,000	0.33

(i) During the six months ended June 30, 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 and six months ended June 30, 2021, the Company recorded share based compensation of \$82,705 and \$122,116, respectively (three and six months ended June 30, 2020 - \$nil) related to the grant in the condensed consolidated interim statement of loss and comprehensive loss.

(ii) During the six months ended June 30, 2021, the Company granted stock options to directors and officers of the Company for the purchase of a total of 4,450,000 common shares. The options are exercisable for a period of five years at an exercise price of \$0.31 per share, 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 - \$0.30; risk free interest rate - 0.73%; expected volatility - 168% (which is based on historical volatility of the Company's share price); expected dividend yield - nil; expected life - 5 years. During the three and six months ended June 30, 2021, the Company recorded share based compensation of \$1,297,660 (three and six months ended June 30, 2020 - \$nil) related to the grant in the condensed consolidated interim statement of loss and comprehensive loss.

(iii) During the six months ended June 30, 2021, the Company granted stock options to a consultant of the Company for the purchase of a total of 250,000 common shares. The options are exercisable for a period of two years at an exercise price of \$0.21 per share, 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 - \$0.21; risk free interest rate - 0.30%; expected volatility - 167% (which is based on historical volatility of the Company's share price); expected dividend yield - nil; expected life - 1.58 years. During the three and six months ended June 30, 2021, the Company recorded share based compensation of \$37,070 (three and six months ended June 30, 2020 - \$nil) related to the grant in the condensed consolidated interim statement of loss and comprehensive loss.

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8. Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of June 30, 2021:

Expiry Date	Exercise Price (\$)	Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (Exercisable)
July 04, 2021	1.50	0.01	20,000	20,000
September 06, 2021	1.70	0.19	36,000	36,000
November 14, 2021	1.50	0.38	190,000	190,000
March 20, 2022	1.70	0.72	15,000	15,000
November 30, 2022	0.210	1.42	250,000	250,000
December 21, 2022	0.315	1.48	350,000	350,000
February 24, 2023	0.31	1.65	800,000	200,000
October 09, 2025	0.14	4.28	900,000	900,000
February 24, 2026	0.31	4.66	4,450,000	4,450,000
	0.33	3.83	7,011,000	6,411,000

9. Warrants

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

	Number of warrants	Weighted average exercise price (\$)
Balance, December 31, 2019 and June 30, 2020	5,067,300	0.45
Balance, December 31, 2020	26,342,936	0.20
Granted (note 5 and 7(b)(i))	444,000	0.33
Exercised	(6,928,900)	0.15
Balance, June 30, 2021	19,858,036	0.22

The following table reflects the actual warrants issued as of June 30, 2021:

Expiry Date	Exercise Price (\$)	Remaining Contractual Life (years)	Number of Warrants Outstanding	Grant date Fair Value (\$)
September 29, 2021	0.10	0.25	1,188,720	43,153
October 01, 2022	0.15	1.25	8,475,125	790,635
October 01, 2022	0.13	1.25	4,682,861	49,514
October 30, 2022	0.25	1.33	216,000	36,595
October 30, 2022	0.40	1.33	228,000	34,670
June 08, 2023	0.45	1.94	1,682,334	241,761
June 08, 2023	0.45	1.94	3,384,996	486,439
	0.22	1.35	19,858,036	1,682,767

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10. Net loss per share

The calculation of basic and diluted loss per share for the three and six months ended June 30, 2021 was based on the loss attributable to common shareholders of \$2,514,316 and \$8,321,362, respectively (three and six months ended June 30, 2020 - \$137,428 and \$365,412, respectively) and the weighted average number of common shares outstanding of 75,779,542 and 65,615,964, respectively (three and six months ended June 30, 2020 - 14,161,976 and 14,161,976, respectively). Diluted loss per share did not include the effect of 7,011,000 options outstanding (three and six months ended June 30, 2020 - 261,000 options outstanding) or the effect of 19,858,036 warrants outstanding (three and six months ended June 30, 2020 - 5,067,300 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 June 30, 2021, the directors and/or officers of the Company collectively control 4,341,749 (December 31, 2020 - 3,078,815) common shares of the Company or approximately 5.2% (December 31, 2020 - 7%) of the total common shares outstanding and two insiders of the Company control 15,702,560 (December 31, 2020 - 4,333,028) common shares of the Company or approximately 19% (December 31, 2020 - 10%) 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.

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

	Notes	Three months ended June 30,		Six months ended June 30,	
		2021	2020	2021	2020
Administration expense	(i)(iii)(iv)	\$ 131,250	\$ 81,250	\$ 225,000	\$ 162,500
Accounting expense	(ii)	\$ 25,576	\$ 9,028	\$ 33,580	\$ 21,171

(i) For the three and six months ended June 30, 2021, the Company incurred consulting fees from a company controlled by an officer and a director of \$56,250 and \$112,500 (three and six months ended June 30, 2020 - \$50,000 and \$100,000) recorded in administration fees.

(ii) For the three and six months ended June 30, 2021, the Company incurred accounting expenses from companies related to an officer of \$25,576 and \$33,580 (three and six months ended June 30, 2020 - \$9,028 and \$21,171) recorded in professional fees.

(iii) For the three and six months ended June 30, 2021, the Company incurred directors fees of \$25,000 and \$62,500 (three and six months ended June 30, 2020 - \$31,250 and \$62,500) recorded in administration fees.

(iv) For the three and six months ended June 30, 2021, the Company incurred consulting fees from a director of \$50,000 (three and six months ended June 30, 2020 - \$nil) recorded in administration fees.

(v) As at June 30, 2021, the Company has \$184,700 (December 31, 2020 - \$60,662) outstanding from an officer and director. This amount is unsecured, non-interest bearing and due on demand.

(vi) As at June 30, 2021, included in accounts payable and accrued liabilities is \$147,020 (December 31, 2020 - \$120,614) due to directors and key management, these amounts are unsecured, non-interest bearing, and due on demand.

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11. Related party balances and transactions (continued)

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

(vii) During the six months ended June 30, 2021, the Company repaid advances to shareholders of \$nil (six months ended June 30, 2020 - received advances of \$45,000). These amounts are unsecured, due on demand and non-interest bearing. As at June 30, 2021, the balance outstanding was \$7,000 (December 31, 2020 - \$7,000).

(viii) During the six months ended June 30, 2021, the Company repaid advances to shareholders of \$37,084 (six months ended June 30, 2020 - \$nil). As at June 30, 2021, the Company has \$nil (December 31, 2020 - \$39,084) due to a significant shareholder included in due to related parties, which is unsecured, due on demand, and non-interest bearing.

(ix) As at June 30, 2021, the Company has \$nil (December 31, 2020 - \$100,000) receivable from a significant shareholder, this amount is included in accounts receivable.

(x) See note 7, 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:

June 30, 2021	Canada	Chile	Total
Equipment	\$ -	\$ 15,643	\$ 15,643
December 31, 2020	Canada	Chile	Total
Equipment	\$ -	\$ 18,403	\$ 18,403
Three months ended June 30, 2021	Canada	Chile	Total
Operating expenses			
Administration fees	\$ 119,456	\$ -	\$ 119,456
Amortization	-	1,380	1,380
Accretion, banking and interest fees	29,446	336	29,782
Exploration expenditures	656,299	57,979	714,278
Foreign exchange (gain)	4,759	(6,659)	(1,900)
Investor relations	167,871	-	167,871
Office and miscellaneous	1,452	11,000	12,452
Professional fees	4,871	13,631	18,502
Share-based payments	1,417,435	-	1,417,435
Transfer agent and regulatory	22,458	-	22,458
Travel, promotion and mining shows	12,602	-	12,602
Net loss and comprehensive loss for the period	\$ (2,436,649)	\$ (77,667)	\$ (2,514,316)

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12. Segmented information (continued)

Three months ended June 30, 2020	Canada	Chile	Total
Operating expenses			
Administration fees	\$ 74,288	\$ 3,559	\$ 77,847
Amortization	-	350	350
Bank and interest fees	14,481	143	14,624
Exploration expenditures	7,088	10,455	17,543
Foreign exchange loss	(22,404)	(3,178)	(25,582)
Office and miscellaneous	8,363	458	8,821
Professional fees	31,910	2,689	34,599
Transfer agent and regulatory	6,217	-	6,217
Travel, promotion and mining shows	3,009	-	3,009
Net loss and comprehensive loss for the period	\$ (122,952)	\$ (14,476)	\$ (137,428)

Six months ended June 30, 2021	Canada	Chile	Total
Operating expenses			
Administration fees	\$ 212,488	\$ -	\$ 212,488
Amortization	-	2,760	2,760
Accretion, banking and interest fees	57,784	448	58,232
Exploration expenditures	6,033,545	79,482	6,113,027
Foreign exchange (gain)	2,042	(26,710)	(24,668)
Investor relations	226,561	-	226,561
Office and miscellaneous	11,449	16,630	28,079
Professional fees	67,370	37,494	104,864
Share-based payments	1,456,846	-	1,456,846
Transfer agent and regulatory	57,379	-	57,379
Travel, promotion and mining shows	85,794	-	85,794
Net loss and comprehensive loss for the period	\$ (8,211,258)	\$ (110,104)	\$ (8,321,362)

Six months ended June 30, 2020	Canada	Chile	Total
Operating expenses			
Administration fees	\$ 158,266	\$ 6,634	\$ 164,900
Amortization	-	700	700
Bank and interest fees	52,802	284	53,086
Exploration expenditures	7,088	26,554	33,642
Foreign exchange loss	(9,887)	(3,178)	(13,065)
Investor relations	28,125	-	28,125
Office and miscellaneous	8,715	1,878	10,593
Professional fees	64,377	4,558	68,935
Transfer agent and regulatory	9,034	-	9,034
Travel, promotion and mining shows	9,462	-	9,462
Net loss and comprehensive loss for the period	\$ (327,982)	\$ (37,430)	\$ (365,412)

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13. Commitments and contingencies

Consulting

The Company has entered into a consulting agreement with a company controlled by Directors and Officers of the Company. The obligation under these agreements amounts to \$350,000 per year. The Company has committed to these payments for the 2021 fiscal year.

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 June 30, 2021, the Company has spent \$nil 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 June 30, 2021, the Company accrued \$29,919 (December 31, 2020 - \$29,919) 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 June 30, 2021, the Company has unpaid property tax for various mineral exploration property claims totaling approximately 403,000,833 Chilean Pesos (\$682,243) (December 31, 2020 - 473,933,021 Chilean Pesos (\$849,190)) which has been included in accounts payable and accrued liabilities as at June 30, 2021. In the event that the claims are put up for tax auction, the Company will have a notice period to make the payment for the portion of this amount required. The property tax commitment for 2021 fiscal year is \$33,743,039 Chilean Pesos.

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14. Subsequent events

On July 5, 2021, the Company made the final cash payment of \$250,000 in accordance with the agreement signed with Critical on December 22, 2020.

On July 9, 2021 the Company changed its name to Power Nickel Inc., and will trade under its new symbol PNPB on the TSX-V on July 12, 2021. The Company also announced plans create a subsidiary Consolidation Gold and Copper Inc. to be spun out as a separate public company where it will hold the interests in the British Columbia Golden Ivan project and all the Chile based assets and the complete suite of assets and sufficient capital for one year of operations. The proposed transaction will be carried out by way of a court-approved plan of arrangement under the Business Corporations Act (British Columbia) and are subject to a number of conditions being satisfied or waived at or prior to closing, including approval of the shareholders of Power Nickel and receipt of all necessary regulatory, TSXV and court approvals and the satisfaction of certain other closing conditions customary for a transaction of this nature. A special meeting of the shareholders to approve the proposed transaction will be held closer to finalization of the transaction.