

FLYING NICKEL MINING CORP.

Financial Statements

**As at and for the Period from Incorporation on December 21,
2020 to September 30, 2021**

(Unaudited)

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

The accompanying unaudited interim financial statements of Flying Nickel Mining Corp. for the period ended September 30, 2021, have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

FLYING NICKEL MINING CORP.
Statement of Financial Position
(Unaudited)
(Expressed in Canadian Dollars)

	Notes	As at September 30, 2021
Assets		
Due from related party		1
Total assets		\$ 1
Equity		
Share Capital	5	1
Total equity		\$ 1

Approved on behalf of the Board:

Approved on behalf of the Board:

"John Lee"

John Lee, Director and Chairman

Vancouver, British Columbia

"Mark Scott"

Mark Scott, Director

January 21, 2022

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

FLYING NICKEL MINING CORP.
Statement of Changes in Equity
(Unaudited)
(Expressed in Canadian Dollars)

	Number of shares issued Notes and outstanding	Share Capital	Deficit	Total
Balance, Incorporation on December 21, 2020	-	\$ -	\$ -	-
Shares issued on incorporation	1	1	-	1
Balance, September 30, 2021	1	\$ 1	\$ -	1

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

FLYING NICKEL MINING CORP.

Notes to the Financial Statements

For the period from Incorporation on December 21, 2020 to September 30, 2021

(Unaudited)

(Expressed in Canadian Dollars)

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 is a wholly owned subsidiary of 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 proposed transaction described in Note 2, the Company will be an exploration stage enterprise in the mineral resource industry focused on the Minago Nickel Project.

To date, the Company has no operations and is reliant on ELEF for all funding. These conditions may cast significant doubt upon the Company’s ability to continue as a going concern.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this ti

2. ARRANGEMENT AND TRANSFER OF ASSETS

On August 26, 2021, ELEF announced that it has executed a plan of arrangement, as amended November 8, 2021 (the “**Arrangement**”) under the Business Corporations Act (British Columbia) 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;
- ii. transfer certain royalties presently held by ELEF in certain projects into its own entity, SpinCo 3 (“RoyaltyCo”), a wholly owned subsidiary of ELEF;
- iii. spin-out its Manitoba based Minago Nickel project mineral property assets (“Minago”) into its own entity, SpinCo 1 (“NickelCo”), a wholly owned subsidiary of ELEF;
- iv. and spin-out its Nevada based Gibellini Vanadium project mineral property assets (“Gibellini”) into its own entity, SpinCo 2 (“VanadiumCo”), a wholly owned subsidiary of ELEF.

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

- NickelCo will purchase the Minago assets from ELEF in exchange for the issuance of 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 RoyaltyCo shares;
- Nevada Vanadium Mining Corp. (“NVMC”) will purchase the Gibellini assets from ELEF in exchange for the issuance of NVMC shares and the assumption of certain liabilities related to the underlying assets;
- VanadiumCo will purchase the NVMC shares from ELEF in exchange for the issuance of VanadiumCo shares;
- and RoyaltyCo will purchase certain of the outstanding shares of both VanadiumCo and NickelCo in exchange for the issuance of RoyaltyCo shares.

Upon completion of the Arrangement, it is currently expected that ELEF and each SpinCo will focus on its corresponding core business with:

- ELEF holding a 100% interest in its Pulacayo silver and El Triunfo gold-silver projects in Bolivia, and approximately 33% of the Royalties SpinCo shares as a long-term investment;
- VanadiumCo holding a 100% interest in the Gibellini Vanadium project in Nevada;
- NickelCo holding a 100% interest in the Minago nickel project at Thompson nickel belt in Manitoba;
- and RoyaltyCo holding certain royalties related to each of the transferred assets referenced above and approximately 54% of the NickelCo shares and approximately 54% of the VanadiumCo shares as a long-term investment.

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Notes to the Financial Statements

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2. ARRANGEMENT AND TRANSFER OF ASSETS (cont'd...)

Subject to applicable laws, the policies of and approval by the Toronto Stock Exchange (the "TSX"), the receipt of ELEF's shareholder approval and court approval, and satisfaction of other closing conditions, it is presently expected that, pursuant to 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 ("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 (the "Warrants") after the Record Date will be entitled to receive, upon exercise of each such Warrant at the same original exercise price and in accordance with the terms of such Warrant, one share of each of NickelCo and VanadiumCo.; two shares of the RoyaltyCo; and one Class A share of ELEF.

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

While the foregoing has been prepared on the basis that no additional securities of each SpinCo will be issued, it is presently expected that each SpinCo will complete a financing in connection with the Arrangement to provide for working capital and other corporate purposes (see Note 12).

There can be no assurance that the Arrangement will be completed on the terms described herein or that the proposed public listings of the SpinCos will be completed.

3. BASIS OF PRESENTATION**Statement of compliance and basis of preparation**

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

These unaudited financial statements have been prepared on a historical cost basis except for financial instruments carried at fair value. In addition, these audited financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These financial statements of the Company, as at and for the period ended September 30, 2021, are prior to the Company commencing any activities except the issuance of shares. Accordingly, separate statements of income/loss and statements of cash flows have not been presented as there have been no activities for the Company.

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4. 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

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.

5. SHARE CAPITAL

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

As at September 30, 2021, the Company had 1 common share issued and outstanding.

6. SUBSEQUENT EVENTS

- On November 30, 2021, ELEF announced the closing of the NickelCo financing. The Company raised proceeds of \$8.6 million through the issuance of:
 - (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) flow-through eligible subscription receipts of the Company (each, a "FT Subscription Receipt", and collectively with the Non-FT Subscription Receipts, the "Offered Securities") at a price of \$0.77 per FT Subscription Receipt for gross proceeds of \$1,534,176;

Upon satisfaction of certain escrow release conditions, the subscription receipts will be deemed exercised without payment of additional consideration as follows:

- (i) each non-FT subscription receipt shall be automatically converted into one unit of the Company (a "Unit"). Each unit will consist of one common share of the Company and one half of one common share purchase warrant (a "Warrant"). Each whole Warrant shall entitle the holder to purchase one common share of the Company at a price of \$1.00 at any time on or before November 29, 2023.
- (ii) Each FT subscription receipt shall be automatically converted into one common share of the Company to be issued as a "flow-through share" within the meaning of the Income Tax Act (Canada).

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6. SUBSEQUENT EVENTS (continued)

- On December 23, 2021, ELEF announced that it has received near unanimous shareholder approval of the Arrangement as noted in Note 2.
- On January 4, 2022, ELEF announced that gross proceeds of \$1,534,176 were released from escrow to the Company upon converting an aggregate of 1,992,437 flow-through subscription receipts of the Company into 1,992,437 flow-through common shares of the Company at a price of \$0.77 per share (the "Conversion"), pursuant to the subscription receipt agreement between the Company, Computershare Trust Company of Canada, and Red Cloud Securities Inc.

In addition, the Company further confirms that proceeds of \$7,065,823 from the issuance of 10,094,033 non-flow-through subscription receipts of the Company remain subject to escrow and will 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 ELEF's previously announced plan of arrangement.

In connection with the Conversion, an aggregate of 119,546 broker warrants were issued to the agents for the Company Offering. Each broker warrant entitles 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 January 12, 2022, ELEF announced that it received final approval of the British Columbia Supreme Court for its Arrangement. The effective date of the Arrangement is January 14, 2022.
- On January 17, 2022, ELEF announced the completion of the Arrangement. Post-Arrangement, the Company, a new Canadian reporting issuer (CUSIP 34408W106), with 57,836,470 common shares outstanding, holds a 100% interest in the Minago nickel project in the Thompson nickel belt in Manitoba.

On the same day, the Company also announce that gross proceeds of \$3,740,407 were released from escrow to the Company upon converting an aggregate of 5,844,033 non-flow-through subscription receipts of the Company into 5,844,033 units of the Company (the "Units"), each consisting of one common share and one-half of one common share purchase warrant of the Company, at a price of \$0.70 per Unit, pursuant to the subscription receipt agreement between The Company, Computershare Trust Company of Canada and Red Cloud Securities Inc.

The Company further confirms that gross proceeds of \$2,975,000 from the issuance of an additional 4,250,000 non-flow-through subscription receipts of the Company remain subject to escrow and will be released to the Company upon satisfaction of certain additional escrow release conditions, including receipt of conditional acceptance of the TSX Venture Exchange (the "TSXV") for the listing of the common shares of the Company on the TSXV.

In connection with the conversion, an aggregate of 342,069 broker warrants were issued to the agents for the Company Offering. Each broker warrant entitles the holder to acquire one common share of the Company at an exercise price of \$0.70 per common share until November 29, 2023.