



**CONIC METALS CORP.**

**CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2020**

**(EXPRESSED IN UNITED STATES DOLLARS)**

**(UNAUDITED)**

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**CONIC METALS CORP.**  
**Condensed Interim Consolidated Statement of Financial Position**  
**(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)**

	As at March 31, 2020	As at December 31, 2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,414,034	\$ 4,438,341
Amounts receivable and other assets (Note 5)	7,753,217	26,130,920
Marketable securities (Note 6)	473,673	1,111,333
	<b>11,640,924</b>	31,680,594
<b>Non-Current Assets</b>		
Investment in Ramu Nickel Mine (Note 7)	133,613,864	133,217,226
Royalty contracts (Note 8)	26,066,974	26,066,974
Right-of-use assets	80,000	90,229
Property, plant and equipment	43,489	45,092
	<b>\$ 171,445,251</b>	<b>\$ 191,100,115</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Note 12)	\$ 529,363	\$ 1,424,857
Lease liability	40,000	40,960
Non-recourse debt (Note 9)	12,840,000	17,212,094
	<b>13,409,363</b>	18,677,911
<b>Non-Current Liabilities</b>		
Lease liability	42,000	51,000
Non-recourse debt (Note 9)	94,476,883	106,530,663
	<b>107,928,246</b>	125,259,574
<b>Shareholders' Equity</b>		
Share capital (Note 10)	66,076,942	66,076,942
Reserves	104,813	103,456
Deficit	(2,664,750)	(339,857)
	<b>63,517,005</b>	65,840,541
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 171,445,251</b>	<b>\$ 191,100,115</b>

Subsequent Events (Note 16)

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

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**CONIC METALS CORP.****Condensed Interim Consolidated Statement of Net and Comprehensive Loss  
(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)**

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**Three Months Ended  
March 31, 2020**

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**Operating Expenses**

Consulting fees	\$	5,661
Exploration costs		74,193
General and administrative		92,067
Salaries and fees (Note 12)		300,199
Marketing and promotion		144,978
Professional fees		89,419
Regulatory fees		8,753
Share based compensation (Note 12)		1,357

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**Operating Loss**

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**(716,627)**

Interest income		8,903
Share of operating profit from Ramu Nickel Mine (Note 7(ii))		396,638
Unrealized loss on marketable securities		(637,660)
Financing costs (Note 7(iv))		(1,343,349)
Foreign exchange loss		(32,798)

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**(1,608,266)**

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**Net and Comprehensive Loss for the period**

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**\$ (2,324,893)**

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**Basic and Diluted Loss per Share**

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**\$ (0.03)**

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**Weighted Average Number of Common Shares Outstanding - Basic and Diluted**

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**83,465,472**

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

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**CONIC METALS CORP.****Condensed Interim Consolidated Statement of Cash Flows****(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)**

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**Three Months Ended  
March 31, 2020**

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**Operating Activities**

Net loss for the period	\$ (2,324,893)
Adjustments for:	
Share of operating profit from Ramu Nickel Mine	(396,638)
Unrealized loss on marketable securities	637,660
Share based compensation	1,357
Financing costs	1,343,349
Other	1,872
Non-cash working capital items:	
Amounts receivable and other assets	608,480
Accounts payable and accrued liabilities	(895,494)

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**Net Cash and Cash Equivalents Used in Operating Activities** **(1,024,307)**

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**Net change in Cash and Cash Equivalents** **(1,024,307)****Cash and Cash Equivalents, Beginning of Period** **4,438,341**

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**Cash and Cash Equivalents, End of Period** **\$ 3,414,034**

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**Cash and cash equivalents**

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Cash	\$ 3,337,071
Short-term bank deposit	76,963

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**\$ 3,414,034**

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**Supplemental Information**

Interest paid	\$ -
Income taxes paid	\$ -

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

**CONIC METALS CORP.****Condensed Interim Consolidated Statement of Changes in Shareholders' Equity  
(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)**

	Share Capital		Reserves	Deficit	Total
	Number	Amount			
<b>Balance, June 25, 2019</b>	-	\$ -	\$ -	\$ -	\$ -
Issuance of common share on incorporation (Note 10(b)(i))	1	1	-	-	1
Cancellation of common share	(1)	(1)	-	-	(1)
Issuance of common shares on acquisition of assets from Sienna Metals Limited (Notes 4 and 10(b)(ii))	83,465,472	66,076,942	-	-	66,076,942
Share based compensation (Note 11(b))	-	-	103,456	-	103,456
Net loss for the period	-	-	-	(339,857)	(339,857)
<b>Balance, December 31, 2019</b>	<b>83,465,472</b>	<b>66,076,942</b>	<b>103,456</b>	<b>(339,857)</b>	<b>65,840,541</b>
Share based compensation (Note 11(b))	-	-	1,357	-	1,357
Net loss for the period	-	-	-	(2,324,893)	(2,324,893)
<b>Balance, March 31, 2020</b>	<b>83,465,472</b>	<b>\$ 66,076,942</b>	<b>\$ 104,813</b>	<b>\$ (2,664,750)</b>	<b>\$ 63,517,005</b>

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

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## CONIC METALS CORP.

### Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2020

(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)

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#### 1. Nature of Operations

Conic Metals Corp. (the "Company" or "Conic") was incorporated pursuant to the *Business Corporations Act* (British Columbia) on June 25, 2019 as "Nickel 28 Capital Corp." and changed its name to "Conic Metals Corp." on October 21, 2019. The head office is located at 4 King Street West, Suite 401, Toronto, Ontario, Canada. The registered office of the Company is 666 Burrard Street, Suite 1700, Vancouver, British Columbia, Canada.

The Company is a base metals company offering direct exposure to nickel and cobalt. Conic holds an 8.56% joint-venture interest in the producing, long-life Ramu Nickel-Cobalt Operation located in Papua New Guinea. In addition, Conic manages a portfolio of nickel and cobalt royalties on development and exploration projects in Canada and Australia.

These consolidated financial statements of the Company for the period ended March 31, 2020 were approved and authorized for issue by the Board of Directors on July 13, 2020.

On October 25, 2019, Cobalt 27 Capital Corp. ("Cobalt 27") and a wholly owned subsidiary of Pala Investments Limited ("Pala") - Sienna Metals Limited ("Sienna Metals") completed a transaction (the "Arrangement Agreement") pursuant to which Pala acquired 100% of Cobalt 27's issued and outstanding common shares, other than the approximately 19% that Pala already owned. Under the terms of the Arrangement Agreement Cobalt 27 shareholders received for each common share held, CAD\$4.00 in cash plus one common share of Conic.

The Arrangement Agreement was carried out under a court approved statutory plan of arrangement governed by the Business Corporations Act (British Columbia). On closing of the Arrangement Agreement, certain assets and liabilities of Cobalt 27 were transferred to Conic. (Note 4)

Commencing in March 2020, the outbreak of the novel strain of coronavirus known as "Covid19" 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 Company's employees, directors and consultants have fortunately not had any known cases of Covid19. In addition, at the Company's joint-venture Ramu mine, MCC has implemented several measures to limit the potential spread of Covid19 and so far there are no reported Covid19 cases at Ramu. Papua New Guinea had 11 reported cases of Covid19 in the country, and the government is reporting that all but 3 cases have fully recovered with zero deaths in the country. The duration and impact of the Covid19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

#### 2. Significant Accounting Policies

##### 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 IFRS Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 - Interim Financial Reporting. Accordingly, they do not include all the information required for full annual financial statements and should be read in conjunction with the Company's most recent annual consolidated financial statements as at and for the period ended December 31, 2019.

The same accounting policies and methods of computation are followed in these consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the period ended December 31, 2019.

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**CONIC METALS CORP.****Notes to the Condensed Interim Consolidated Financial Statements****For the Three Months Ended March 31, 2020****(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)**

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**3. Key Sources of Estimation Uncertainty and Critical Accounting Judgments**

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, the areas which require management to make significant judgments, estimates and assumptions in determining carrying amounts are:

*Carrying amount of the Ramu Nickel Mine*

The Company, on each reporting date, considers whether there is any objective evidence that its net investment in the Ramu Nickel Mine has suffered any impairment as a result of one or more events that have occurred after initial recognition of the net investment and have an impact on the estimated cash flows of the investment that can be reliably estimated. The assessment often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, operating costs, capital costs and production rates.

*Deferred taxes*

The Company recognizes the deferred tax benefit related to tax assets and tax losses to the extent recovery is probable. Assessing the recoverability of deferred income tax assets requires management to make significant estimates of future taxable profit and expected timing of reversals of existing temporary differences. To the extent that future cash flows and taxable profit differ significantly from estimates, the ability of the Company to realize the deferred tax assets recorded at the statement of financial position date could be impacted. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from tax assets and tax losses.

*Business combinations*

Determination of whether a set of assets acquired and liabilities assumed constitute the acquisition of a business or an asset may require the Company to make certain judgments as to whether or not the assets acquired and liabilities assumed include the inputs, processes and outputs necessary to constitute a business as defined in IFRS 3 – Business Combinations. Based on an assessment of the relevant facts and circumstances, the Company concluded that the spin-out transaction on October 25, 2019 did not meet the definition of a business and the transaction has been accounted for as an asset acquisition (note 4).

*Impairment of royalty contracts*

Assessment of the royalty contracts for indicators of impairment at the end of each reporting period requires the use of judgments, assumptions and estimates when assessing whether there are any indicators that give rise to the requirement to conduct a formal impairment test on the Company's royalty contracts. Indicators which could trigger an impairment test include, but are not limited to, a significant change in operator reserve and resource estimates, industry or economic trends, current or forecast commodity prices, and other relevant operator information with respect to the underlying mineral resource properties.



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**CONIC METALS CORP.****Notes to the Condensed Interim Consolidated Financial Statements****For the Three Months Ended March 31, 2020****(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)**

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**4. Asset Acquisition**

On October 25, 2019, the Company, Pala and Sienna Metals completed the spin-out transaction pursuant to which certain assets of Cobalt 27 were transferred to Conic in exchange for common shares of Conic. The transaction was implemented by way of a court-approved statutory plan of arrangement governed by the Business Corporations Act (British Columbia).

On closing of the transaction, Pala acquired 100% of Cobalt 27's issued and outstanding common shares, other than the approximately 19% that Pala already owned, and transferred certain assets and liabilities to Conic. The net assets were transferred to Conic in exchange for an aggregate of 83,465,472 common shares of Conic.

Based on management's judgment, the acquisition did not meet the IFRS definition of a business combination as the primary assets acquired did not constitute a business. Consequently, the transaction was recorded as an asset acquisition.

The consideration was determined based on the carrying amounts of the assets and liabilities transferred at the closing date of the Arrangement Agreement is as follows:

**Consideration**

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Share consideration	<b>\$ 66,076,942</b>
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**Net assets acquired**

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Net cash	<b>\$ 2,590,467</b>
Royalty contracts	<b>26,066,974</b>
Marketable securities	<b>1,356,716</b>
Investment in Highlands Pacific Limited <sup>(1)</sup>	<b>51,515,372</b>
Intercompany loans	<b>(15,452,587)</b>
	<b>\$ 66,076,942</b>

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<sup>(1)</sup> The investment in Highlands Pacific Limited consisted of the following:

Cash and cash equivalents	<b>\$ 2,409,533</b>
Receivables	<b>38,078,692</b>
Property, plant and equipment	<b>46,376</b>
Right-of-use assets	<b>97,000</b>
Investment in Ramu Nickel Mine	<b>134,582,333</b>
Accounts payable and accrued liabilities	<b>(892,769)</b>
Lease liability	<b>(98,000)</b>
Non-recourse debt	<b>(122,707,793)</b>
	<b>\$ 51,515,372</b>

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**CONIC METALS CORP.****Notes to the Condensed Interim Consolidated Financial Statements****For the Three Months Ended March 31, 2020****(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)**

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**5. Amounts Receivable and Other Assets**

	As at March 31, 2020	As at December 31, 2019
Other receivables <sup>(1)</sup>	\$ 2,501,240	\$ 20,922,118
Amount receivable from MCC Ramu NiCo Limited <sup>(2)</sup>	5,193,328	5,084,273
Harmonized sales tax receivable	29,980	16,639
Prepaid expenses	28,669	41,212
Sundry receivables	-	66,678
	<b>\$ 7,753,217</b>	<b>\$ 26,130,920</b>

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<sup>(1)</sup> Other receivables as at December 31, 2019 represented an amount held on behalf of Highlands by MCC Ramu NiCo Limited. During the three months ended March 31, 2020, \$17.2 million (note 9) was applied against the loan to MCC Ramu NiCo Limited.

<sup>(2)</sup> This represents an amount owing by MCC Ramu NiCo Limited relating to Highlands' share of uncollected MHP sales at the Ramu Nickel mine.

**6. Marketable Securities**

The Company holds 1,000,000 common shares of Minerva Intelligence Inc. ("Minerva"), which were acquired at a cost of \$76,581 (note 4). As at March 31, 2020, the investment in Minerva was valued at \$52,865 (December 31, 2019 - \$100,092) based on the applicable closing share price.

The Company holds 3,980,000 common shares of Giga Metals Corp. ("Giga") which were acquired at a cost of \$1,280,135 (note 4). As at March 31, 2020, the investment in Giga was valued at \$420,808 (December 31, 2019 - \$1,011,241) based on the applicable closing share price.

**7. Investment in Ramu Nickel Mine**

The investment in the Ramu Nickel Mine ("Ramu") consists of an 8.56% joint venture interest in the producing Ramu mine and refinery located near the city of Madang on the north coast of Papua New Guinea. Ramu was financed, constructed and commissioned in 2012, by majority-owner and operator Metallurgical Corporation of China Limited ("MCC").

The 8.56% interest in the Ramu mine is held by the Company through its wholly-owned subsidiary Ramu Nickel Limited. The Company's interest in the Ramu mine will increase to 11.3% at no cost to the Company once Conic's share of the Ramu project debt is repaid to the project manager and joint venture partner MCC (note 9). In addition to this, when the Company's interest increases to 11.3%, the Company will also have the option to purchase an additional 9.25% interest in the Ramu mine at market value, which if exercised, would take the Company's interest to 20.55%.

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**CONIC METALS CORP.****Notes to the Condensed Interim Consolidated Financial Statements****For the Three Months Ended March 31, 2020****(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)**

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**7. Investment in Ramu Nickel Mine (Continued)**

## (i) Continuity of investment in Ramu Nickel Mine

	<b>Three Months Ended March 31, 2020</b>
Opening balance	\$ 133,217,226
Share of operating profit from ramu Nickel Mine	396,638
<b>Closing balance</b>	<b>\$ 133,613,864</b>

## (ii) Interest in Ramu Nickel Mine

	<b>Three Months Ended March 31, 2020</b>
Share of revenue	\$ 6,982,309
Share of production costs	(4,389,910)
Share of other costs (recoveries)	44,921
Depreciation and amortization	(2,047,826)
Direct holding costs	(192,856)
<b>Share of operating profit from Ramu Nickel Mine</b>	<b>\$ 396,638</b>

## (iii) Sale of Mixed Hydroxide Product ("MHP")

	<b>Three Months Ended March 31, 2020</b>
Share of Ramu Nickel Mine's MHP Product (Wet Metric Tonnes)	3,356
Revenue from Sales of MHP Products	\$ 6,982,309

## (iv) Non-recourse debt (note 9)

	<b>Three Months Ended March 31, 2020</b>
Opening balance	\$ 123,742,757
Interest accrued	1,343,349
Loan repayment	(17,769,223)
<b>Closing balance</b>	<b>\$ 107,316,883</b>

On initial acquisition, Highlands recognized a loan balance owing to MCC Ramu NiCo Limited for its 8.56% share of capped development costs plus accumulated interest for monies paid by MCC Ramu NiCo Limited to lenders on behalf of the joint venture parties up to January 1, 2015. This debt is non-recourse to the Company (excluding Ramu Nickel Limited) and is to be repaid by Ramu Nickel Limited out of its share of operating surpluses less ongoing capital expenditure requirements (note 9).

## CONIC METALS CORP.

### Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2020

(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)

#### 8. Royalty Contracts

A royalty is a payment to a royalty holder by a property owner or an operator of a property and is typically based on a percentage of the minerals or other products produced or the profits or revenue generated from the property. Royalties are not working interests in a property. Therefore, the royalty holder is generally neither responsible for, nor has an obligation to, contribute additional funds for any purpose, including, but not limited to, operating or capital costs, or environmental or reclamation liabilities. Typically, royalty interests are established through a contract between the royalty holder and the property owner. Many jurisdictions permit the holder to also register or otherwise record evidence of a royalty interest in applicable mineral title or land registries.

Common forms of royalties are Net Smelter Return (“NSR”) and Gross Revenue Royalty (“GRR”). NSR is based on the proceeds paid by a smelter or refinery to the miner for the mining production from the property less certain transportation, smelting and refining costs as defined in a royalty agreement. This type of royalty provides cash flow that is free of any operating or capital costs and environmental liabilities. GRR is generally based on the value of the mining production from the property before subsequent treatment charges are incurred. This type of royalty provides cash flow that is free of any treatment charges, operating or capital costs and environmental liabilities.

As of March 31, 2020, the Company's Royalty Contracts consisted of the following:

Royalty Name	Owner	Property Location	Stage	Primary Metal(s)	Royalty Type and %	Carrying value
Dumont Project <sup>(1)</sup>	8248567 Canada Limited	Québec	Advanced / Development	Ni-Co	1.75% NSR	\$15,263,086
Turnagain Project <sup>(2)</sup>	Giga Metals Corporation	British Columbia	Exploration	Ni-Co	2% NSR	\$7,241,392
Flemington Project <sup>(3)</sup>	Australian Mines Ltd.	Australia	Exploration	Ni-Co-Sc	1.5% GRR	\$1,943,514
Nyngan Project <sup>(4)</sup>	Scandium International Mining Corp.	Australia	Advanced / Development	Sc- Ni-Co	1.7% GRR	\$971,757
Triangle Property	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	\$190,362
Rusty Lake Property	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	\$190,362
Professor & Waldman Properties <sup>(5)</sup>	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	\$190,357
North Canol Properties <sup>(5)</sup>	Golden Ridge Resources Ltd.	Yukon	Exploration	Ag-Pb-Zn-Co	2% Co NSR	\$38,072
Sunset Mineral Property	Three Individuals	British Columbia	Exploration	Cu-Zn-Co	2% Co NSR	\$38,072
<b>Total Royalty Contracts</b>						<b>\$26,066,974</b>

(1) The Dumont Nickel-Cobalt Royalty is a life-of-mine 1.75% NSR royalty.

(2) The Turnagain Royalty is a 2.0% NSR royalty on all future metal production from the Turnagain Nickel-Cobalt Project. Under the terms of the royalty agreement, Giga Metals Corporation has a onetime repurchase option to repurchase 0.5% of the 2.0% royalty (resulting in a 1.5% remaining royalty) by paying the Company \$20 million in cash on the fifth (5th) anniversary. At March 31, 2020, the Company owns approximately 7% of Giga Metals Corporation's outstanding shares (note 6).

(3) The Flemington Royalty is a life-of-mine 1.5% GRR.

(4) The Nyngan Royalty is a life-of-mine 1.7% GRR.

(5) Two separate mineral properties to which a Co NSR applies.

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**CONIC METALS CORP.****Notes to the Condensed Interim Consolidated Financial Statements****For the Three Months Ended March 31, 2020****(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)**

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**9. Non-Recourse Debt**

	<b>As at March 31, 2020</b>	<b>As at December 31, 2019</b>
Loan from MCC Ramu NiCo Limited - current	\$ 12,840,000	\$ 17,212,094
Loan from MCC Ramu NiCo Limited - non-current	94,476,883	106,530,663
	<b>\$ 107,316,883</b>	<b>\$ 123,742,757</b>

Balance consists of:

	<b>As at March 31, 2020</b>	<b>As at December 31, 2019</b>
Non-recourse operating debt - current	\$ 12,840,000	\$ 17,212,094
Non-recourse construction debt - current	-	-
Non-recourse operating debt - non-current	15,836,411	28,874,526
Non-recourse construction debt - non-current	78,640,472	77,656,137
	<b>\$ 107,316,883</b>	<b>\$ 123,742,757</b>

Non-recourse debt relates to the Company's interest, held in the wholly owned subsidiary Ramu Nickel Limited, in the Ramu Nickel mine and owing to MCC Ramu NiCo Limited. As part of the Joint Venture Agreement with MCC Ramu NiCo Limited, MCC Ramu NiCo Limited was responsible for development and financing of the mine. These borrowings represent the Company's 8.56% share of principal repayments (capped to a specified development threshold of \$2.1 billion) and interest repayments made by MCC Ramu NiCo Limited to third party lenders on behalf of the Company, plus any accumulated interest charged by MCC Ramu NiCo Limited. The borrowings are to be repaid out of the Company's share of the Ramu Nickel mine's operating surpluses (sales revenue less operating costs and ongoing capital expenditure).

Currently, 100% of the operating surpluses from the mine are first allocated to repay the non-recourse operating debt and related interest. Once the operating debt is repaid, the Company is entitled to its 8.56% share of 35% of the mine's operating surpluses, with the remaining 65% used to repay the non-recourse construction debt and related interest. Furthermore, once the Company's non-recourse construction debt is repaid, the Company's participatory share of the Ramu Nickel Mine will automatically increase from 8.56% to 11.3% and the Company will begin receiving 100% of its share of the mine's operating surpluses on a monthly basis.

The amount classified as current represents the expected operating surplus less interest that is expected to be applied to repay the non-recourse debt over the next twelve months. The borrowings, under the operating debt and construction debt, bear an interest rate of 5.05% annually.

During the three months ended March 31, 2020, the Company made a non-recourse debt repayment of \$17,769,223 from the Ramu Mine's operating surpluses.

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## CONIC METALS CORP.

### Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2020

(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)

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#### 10. Share Capital

- a) Authorized: Unlimited number of common shares without par value.
- b) Common shares issued:
  - (i) On June 25, 2019, the Company issued 1 common share to Cobalt 27 Capital Corp. on incorporation.
  - (ii) On October 25, 2019 and concurrent with the spin-out transaction (note 4), the Company cancelled its 1 common share issued on incorporation and issued an aggregate of 83,465,472 common shares in exchange for certain assets as part of the spin-out transaction.

#### 11. Stock Options and Restricted Share Units

##### (a) Stock options

On December 16, 2019, the Company adopted a Stock Option Plan, subject to TSX-V and disinterested shareholder approval of the Company's Omnibus Long-term Incentive Plan ("LTIP"). The maximum aggregate number of shares reserved for issuance under the Company's Stock Option Plan, together with the RSU Plan (defined below), shall not exceed a combined total of 10% of the Company's issued and outstanding shares to officers, employees, directors, advisors and consultants. The exercise price is determined by the Board of Directors provided the minimum exercise price is set at the Company's closing share price on the day before the grant date. The options can be granted for a maximum term of ten years and vesting terms are determined by the Board of Directors at the date of grant.

As at March 31, 2020, the Company was committed to grant a total of 4,090,000 stock options to certain directors, officers, advisors and consultants of the Company. Each option vests immediately and will be exercisable at CDN\$0.43 with an expiry date of December 16, 2024.

##### (b) Restricted share units ("RSU")

On December 16, 2019, the Company adopted a Restricted Share Unit Plan (the "RSU Plan"), subject to TSX-V and disinterested shareholder approval of the Company's Omnibus LTIP. The maximum aggregate number of shares reserved for issuance under the RSU Plan, together with the Company's Stock Option Plan shall not exceed a combined total of 10% of the Company's issued and outstanding shares. In addition, the RSU Plan sets out certain other restrictions in respect of grants to certain participants under the RSU Plan in accordance with the rules of the TSX-V. No Shares shall be issued until the Company has received TSX-V and disinterested shareholder approval of the RSU Plan. As a result, the Company revalues the RSUs at each period end reporting date using the market value of common shares. Once the date of grant under IFRS has been established, the Company will revise the earlier estimate so that the amounts recognized for services received in respect of the grant are based on the grant date fair value of the RSUs.

On December 16, 2019, the Company committed to grant 2,350,000 RSUs to certain employees, officers and directors, which at the Board's discretion can be settled in cash, equity or a combination thereof and vest as follows: 300,000 immediately, 500,000 monthly over one year starting January 1, 2020, 716,666 on the first anniversary of the date of grant and 416,667 on each of the second and third anniversaries of the date of grant. For the period ended March 31, 2020, the Company recorded share based compensation expense of \$1,357.

## CONIC METALS CORP.

### Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2020

(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)

#### 12. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties include key management personnel and may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions are recorded at the exchange amount, being the amount agreed to between the related parties.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and members of the Board of Directors.

Remuneration of key management personnel of the Company was as follows:

	Three Months Ended March 31, 2020
Salaries and fees <sup>(1)(2)</sup>	\$ 283,248
Share based compensation	1,357
	\$ 284,605

(1) Management fees and salaries paid to the executive officers and directors for their services.

(2) Included in accounts payable and accrued liabilities are fees owing to officers and directors of \$26,667 as at March 31, 2020 (December 31, 2019 - \$15,433).

#### 13. Contingent Liabilities

On August 24, 2019, the Ramu Nickel Joint Venture (RNJV) was involved in an environmental incident that resulted in an investigation by the PNG authorities. The investigation has been completed, however the final investigation report is yet to be released. MCC has compensated local residents approximately PGK300,000. Management is unable to determine whether further compensation is required until the final investigation report is released.

Ramu Nico Management (MCC) Limited (RNML), the Joint Venture Manager, received a writ of summon dated February 5, 2020 from plaintiffs in relation to claims made by a number of individuals claiming to be landowners of Madang area and the Madang Provincial government for the alleged breach of environmental law by RNML and RNJV. On March 9, 2020, RNML filed a notice to defend. As of July 13, 2020, the case is still in the pre-trial stage and Management is unable to assess the likely result and potential impacts of the case.

#### 14. Segmented Information

The Company operates in three reportable operating segments, being the royalty interests, Ramu Nickel Mine and corporate activities. Operating segment information is as follows:

Three Months Ended March 31, 2020	Royalties	Ramu Nickel		Total
		Mine	Corporate	
Share of operating profit from Ramu Nickel Mine	\$ -	\$ 396,638	\$ -	\$ 396,638
Operating expenses	-	(204,110)	(512,517)	(716,627)
Financing costs	-	(1,343,349)	8,903	(1,334,446)
Unrealized loss on marketable securities	-	-	(637,660)	(637,660)
Foreign exchange loss	-	(18,672)	(14,126)	(32,798)
<b>Net loss</b>	<b>\$ -</b>	<b>\$ (1,169,493)</b>	<b>\$ (1,155,400)</b>	<b>\$ (2,324,893)</b>
<b>Assets</b>	<b>\$ 26,066,974</b>	<b>\$ 141,308,432</b>	<b>\$ 4,069,845</b>	<b>\$ 171,445,251</b>

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**CONIC METALS CORP.****Notes to the Condensed Interim Consolidated Financial Statements****For the Three Months Ended March 31, 2020****(Expressed in United States Dollars, unless otherwise indicated) (Unaudited)**

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**14. Segmented Information (Continued)**

The Company has an administrative office in Canada and operations in Australia. Geographical information is as follows:

<b>As at March 31, 2020</b>	<b>Canada</b>	<b>Australia</b>	<b>Total</b>
Current assets	\$ 2,072,792	\$ 9,568,132	\$ 11,640,924
Non-current assets	26,066,974	133,737,353	159,804,327
<b>Total assets</b>	<b>\$ 28,139,766</b>	<b>\$143,305,485</b>	<b>\$171,445,251</b>

  

<b>As at December 31, 2019</b>	<b>Canada</b>	<b>Australia</b>	<b>Total</b>
Current assets	\$ 3,327,510	\$ 28,353,084	\$ 31,680,594
Non-current assets	26,066,974	133,352,547	159,419,521
<b>Total assets</b>	<b>\$ 29,394,484</b>	<b>\$161,705,631</b>	<b>\$191,100,115</b>

**15. Other Events**

In March 2020, the Company entered into an agreement to divest its interest in the exploration license Sewa Bay, which is recorded at \$nil, to Pure Minerals Limited, an ASX listed entity. The transaction is subject to customary regulatory and other approvals. In consideration of the transaction, the buyer will pay Highlands an aggregate amount of AU\$150,000 if certain milestones are achieved.

**16. Subsequent Events**

(i) The Company's Omnibus LTIP was approved at the Company's annual general meeting on June 19, 2020.

(ii) On June 24, 2020, the Company entered into an agreement to sell its wholly-owned subsidiary Highland Pacific Resources Limited, which holds the Company's Star Mountain exploration licenses in Papua New Guinea, to a private entity. The transaction is subject to customary regulatory and other approvals. In consideration of the transaction, the buyer will pay the Company up to \$5 million in cash upon achieving certain milestone events.