



## **MANAGEMENT DISCUSSION & ANALYSIS**

### **FOR THE PERIOD ENDED OCTOBER 31, 2017**

Report Date: December 21, 2017

The following Management's Discussion and Analysis ("MD&A") of the financial condition of Fort St James Nickel Corp (the "Company") and results of operations of the Company, should be read in conjunction with:

1. the audited financial statements for the year ended April 30, 2017 and related notes attached thereto which are prepared in accordance with International Financial Reporting Standards; and
2. the unaudited financial statements for the six month period ended October 31, 2017 and related notes attached thereto, which are prepared in accordance with International Financial Reporting Standards.

The financial statements together with this MDA are intended to provide investors with a reasonable basis for assessing the financial performance of the Company. All monetary amounts are in Canadian dollars unless otherwise indicated.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **NATURE OF OPERATIONS AND OVERALL PERFORMANCE**

### **Description of the Business and Summary of Activities**

Fort St. James Nickel Corp. (the "Company") is incorporated under the Canada Business Corporations Act and its common shares are listed on the NEX Exchange under the symbol FTJ.H. The Company is a junior mineral exploration company engaged in the acquisition, evaluation and exploration, if warranted, of mineral properties in North America.

The Company has incurred recurring losses since its inception, and had an accumulated deficit of \$14,023,134 as at October 31, 2017 which has been funded primarily by the issuance of shares. The Company has no source of operating cash flows and expects to incur further losses in the exploration and development of its mineral properties. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future.

### *Shares Issued*

In June 2017, the Company issued 4,900,000 common shares upon the exercise of share purchase warrants. Cash proceeds received totaled \$245,000.

In July 2017, the Company completed the 1st tranche a non-brokered private placement, raising gross proceeds of \$83,000 by issuing 415,000 units at \$0.20 per unit. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share of the Company at \$0.25 per share for a period of 1 years expiring July 21, 2018. Finder's fees of \$5,250 were paid and 41,500 agent's warrants with a fair value of \$3,889 were granted.

In August 2017, the Company completed the 2nd tranche a non-brokered private placement, raising gross proceeds of \$59,500 by issuing 297,500 units at \$0.20 per unit. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share of the Company at \$0.25 per share for a period of 1 years expiring August 1, 2018.

In October 2017, the Company issued 500,000 common shares with a fair value of \$107,500 pursuant to an option agreement for the Porcupine Property, New Brunswick.

### **Resource Properties**

#### *Kilometre 26 – Central British Columbia*

The Company owns a 100% interest in the Kilometre 26 Project, a group of mineral claims located approximately 50 kilometers northwest of Fort St. James in central British Columbia. On September 28, 2009 the Company entered into a three year Option Agreement with Eastfield Resources Ltd. ("Eastfield") to acquire a 60% interest in the claims. On September 9, 2011 the Company entered into an agreement with Eastfield to acquire a 100% interest in the Property and to terminate the Option Agreement in consideration for the issuance of 2,000,000 common shares. The fair value of the property was determined to be \$775,000. On December 1, 2011 the Company issued the 2,000,000 common shares.

Management has assured the Company's rights to all mineral claims in the Kilometre 26 area are secure. Assessment work has been filed on all the claims in the Kilometer 26 property such that current expiry dates range to December 2017.

Approximately \$1,000,000 has been spent on exploring the property to date. Eastfield completed an initial rock sampling program in 2009 while the Company completed more extensive programs consisting of grid establishment, rock and soil geochemical surveying and ground based induced polarization and magnetometer surveying in 2010 and 2011 and a six hole (813 metre) diamond drilling program in 2011.

The entire claim area occurs within a gentle to undulating landscape all of which occurs on government land. The predominant target of interest on the Kilometre 26 property is ophiolite hosted disseminated nickel. Motherlode style (ophiolite gold) mineralization constitutes a secondary objective.

During the period ended October 31, 2017, the Company incurred exploration expenditures totaling \$6,254 (2016 - Nil).



*Porcupine Property, New Brunswick, Canada*

In August 2017, the Company signed an option agreement with Great Atlantic Resources Corp. (“GR”) to acquire GR’s Porcupine property located in the province of New Brunswick. Under the terms of the option agreement, the Company is required to make the following payments to earn a 100% interest in the property:

Cash and Share Payments:

- \$15,000 in cash (paid) and issue 500,000 common shares (issued) within five days of the TSX Venture approval of the transaction (the “Approval Date”);
- \$20,000 in cash and issue \$75,000 in common shares on or before October 6, 2018;
- \$20,000 in cash and issue \$75,000 in common shares on or before October 6, 2019;
- \$20,000 in cash and issue \$75,000 in common shares on or before October 6, 2020; and
- Pay \$75,000 in cash and issue \$200,000 in common shares on or before October 6, 2021.

The Company is also required to spend \$1,000,000 in exploration expenditures on the property over a four year period with a minimum of \$150,000 each year.

The property consists of 102 claims held in three separate claim blocks covering approximately 2,250 hectares. The Company completed a soil geochemical program in 2011 confirming Heavy and Light Rare Earth Elements (HREE and LREE) anomalies in the south western region of the property.

As at October 31, 2017, the Company had \$172,500 of cumulative acquisition and exploration costs related to the Porcupine property project.

**SELECTED ANNUAL INFORMATION**

The following table provides a brief summary of the Company’s financial operations for each of the last three completed fiscal years prepared using International Financial Reporting Standards. For more detailed information refer to the Company’s audited financial statements for the specific periods.

	Year ended April 30, 2017 \$	Year ended April 30, 2016 \$	Year ended April 30, 2015 \$
Total revenue	NIL	NIL	NIL
Loss from operations	(340,683)	(82,134)	(210,711)
Income (Loss) for the year	(345,218)	(99,310)	319,259
Basic and diluted earnings (loss) per share	(0.05)	(0.04)	0.13
Total assets	6,040	7,350	14,763
Total long-term liabilities	NIL	NIL	NIL
Cash dividends declared	NIL	NIL	NIL

**RESULTS OF OPERATIONS**

Significant expenditures and variations of expenditures incurred during the period ended July 31, 2017 include:

Expenses

<u>Six Months Period</u>	October 31, 2017 \$	October 31, 2016 \$
Consulting Fees	57,200	15,000
Exploration and Evaluation Assets Expenditures	6,254	-
General and Administration	27,430	15,481
Professional Fees	15,182	9,254
Rent	18,000	18,000
Share-Based Compensation	-	92,897
Shareholder Communication	758	616
Transfer Agent and Filing Fees	11,789	12,127
Travel and Meeting	-	736
	<u>(136,613)</u>	<u>(164,111)</u>

- Exploration and Evaluation Assets Expenditures – 2017 \$6,254 / 2016; \$Nil; was incurred on exploration expenditures on Kilometer 26 project, British Columbia.
- Consulting Fees – 2017: \$57,200 / 2016: \$15,000; was paid was for strategic planning, as well as corporate and administrative services including project evaluation.
- General and administration – 2017: \$27,430 / 2016: \$15,481; G&A costs in the current period are comprised of administration, accounting, telephone and office supplies.
- Regulatory and transfer agent fees - 2017: \$11,789 / 2016: \$12,127; consisted of fees paid to regulatory bodies in Canada in connection with routine filings and filing fees for private placement.
- Share-Based Compensation - 2017: \$Nil / 2016: \$92,897; a non-cash compensation cost due to the grant of \$500,000 stock options.

Other items

Interest expenses of \$Nil (2016-\$4,534) incurred for the period ended October 31, 2017 on outstanding payable balances.



<u>Three Months Period</u>	October 31, 2017 \$	October 31, 2016 \$
Consulting fees	10,000	12,500
General and administration	13,752	7,776
Professional fees	11,445	7,300
Rent	9,000	9,000
Share-Based Compensation		92,897
Shareholder communication	379	616
Transfer agent and filing fees	9,139	7,080
Travel and meeting	-	16
	(53,715)	(137,185)

- Consulting Fees – 2017: \$10,000 / 2016: \$12,500; was paid was for strategic planning, as well as corporate and administrative services including project evaluation.
- General and administration – 2017: \$13,752 / 2016: \$7,776; G&A costs in the current period are comprised of administration, telephone and office supplies.
- Professional Fees - 2017: \$11,445 / 2016: \$7,300; comprise of legal and accounting and audit fees.
- Regulatory and transfer agent fees - 2017: \$9,139 / 2016: \$7,080; consisted of fees paid to regulatory bodies in Canada in connection with routine filings and filing fees for private placement
- Share-Based Compensation - 2017: \$92,897 / 2016: \$Nil; a non-cash compensation cost due to the grant of \$500,000 stock options.

Other items

Interest expenses of \$Nil (2016-\$3,446) incurred for the period ended October 31, 2017 on outstanding payable balances.

**SUMMARY OF QUARTERLY RESULTS**

The following quarterly operating results have been prepared using IFRS:

	October 31, 2017 \$	July 31, 2017 \$	April 30, 2017 \$	January 31, 2017 \$
Total Revenue	-	-	-	-
Net Income (Loss)	(53,715)	(82,898)	(107,063)	(69,510)
Total comprehensive income (loss)	(53,715)	(82,898)	(107,063)	(69,510)
Basic and diluted loss per share	(0.00)	(0.01)	(0.02)	(0.01)

  

	October 31, 2016 \$	July 31, 2016 \$	April 30, 2016 \$	January 31, 2016 \$
Total Revenue	-	-	-	-
Net Income (Loss)	(140,631)	(28,014)	(47,768)	(23,238)
Total comprehensive income (loss)	(140,631)	(28,014)	(47,768)	(23,238)
Basic and diluted loss per share	(0.02)	(0.00)	(0.02)	(0.01)

**LIQUIDITY AND CAPITAL RESOURCES**

As at October 31, 2017 the Company had cash of \$31,792 and working capital of \$20,278. All cash are deposited in interest accruing accounts.

	2017 \$	2016 \$
Current Assets	34,429	3,104
Exploration and Evaluation Assets	172,501	25,001
<b>Total Assets</b>	<b>206,930</b>	<b>28,105</b>
Total Liabilities	33,651	173,098
Shareholders' Equity (Deficiency)	173,279	(144,993)
Working Capital (Deficiency)	20,278	(169,994)



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	2017	2016
	\$	\$
Cash used in operating activities	(286,880)	(195,774)
Cash used in investing activity	(172,500)	(25,000)
Cash provided by financing activities	486,700	222,500
Change in cash	<u>27,320</u>	<u>1,726</u>

During the period ended October 31, 2017;

- The Company completed the a non-brokered private placements for total proceeds of \$142,500.
- The Company has received \$245,000 from exercise of warrants.

The Company proposes to meet any additional financing requirements through equity financing. Raising additional capital may be difficult or not possible. The Company is in the business of exploring its mineral property interests and does not generate any cash from operations. Without the ability to attract additional equity funding the Company:

- Does not have the working capital necessary to fund current operations for the 2017 fiscal year;
- Will not have sufficient funds to complete planned exploration activities;
- Has additional liquidity risks associated with financial instruments where trading volumes have declined; and
- Has a working capital deficiency, which may result in the Company's inability to meet obligations as they come due.

Future cash requirements will depend primarily on the extent of future exploration programs. Subsequent phases will depend, both on cost and duration, and on results from previous phases, and it is therefore extremely difficult to predict future cash requirements. In order to meet its option payment costs and expenditure requirements on its current properties the Company will need to raise additional financing, loans or proceeds from sale or joint venture of properties.

The Company is dependent on raising funds by the issuance of shares or disposing of interests in its unproven mineral interests (by options, joint ventures or outright sales) in order to finance further acquisitions, undertake exploration and development of mineral interests and meet general and administrative expenses beyond one year in the future. There can be no assurance that the Company will be successful in raising their required financing.

The Company has limited financial resources and there is no assurance that additional funding will be available to allow the Company to fully explore its existing properties. Failure to obtain financing could result in delays or indefinite postponement of further exploration and the possible, partial or total loss of the Company's interest in certain properties. The Company may, in the future, be unable to meet its obligations under agreements to which it is a party and the Company may consequently have its interest in the properties subject to such agreements jeopardized. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the costs required to complete recommended programs.



Loan Payable

During the year ended April 30, 2016 the Company borrowed \$19,500 with no fixed terms of repayment, unsecured and due in demand.

For the period ended October 31, 2017, \$Nil (2016 - \$1,088) was accrued as interest expense.

**TRANSACTIONS WITH RELATED PARTIES**

At the Report Date, key management consists of Barry Brown (CEO, President and a Director of the Company), Zeny Manalo, CFO of the Company; Quinn Field-Dyte and Scott Kent (independent, Directors of the Company).

The following table summarizes the Company's related party transactions for the period ended July 31, 2017 and 2016:

	2017	2016
	\$	\$
<i>Goods or services rendered:</i>		
Management fees accrued to a company controlled by the family of the former CEO for his services	-	-
Accounting fees paid to the CFO for her services	-	\$6,000
	<b>_____</b>	<b>_____</b>

Transactions with related parties were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

	2017	2016
	\$	\$
<i>Amounts due to related parties recorded in accounts payable and accrued liabilities</i>		
Due to directors	-	-
Due to a company which a former director is a shareholder	-	-
Due to company controlled by the family of a former officer	-	-
Due to a company controlled by a former director and officer	-	-
Interest paid or accrued to a company controlled by former directors/officers	-	-
	<b>_____</b>	<b>_____</b>



### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company had no off-balance sheet arrangements.

### **PROPOSED TRANSACTIONS**

The Company has no specific proposed transactions. However, consistent with the nature of the Company's operations, the Company is continuously reviewing potential mineral property acquisitions and may acquire additional mineral properties in the future.

### **CHANGE IN ACCOUNTING POLICIES**

In preparing these interim financial statements as at October 31, 2017, the significant judgments made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended April 30, 2017.

### **RISKS AND UNCERTAINTIES**

There are no significant changes relating to the risk factors since the filing of the annual MD&A of April 30, 2017.

### **FORWARD-LOOKING STATEMENTS**

Information contained in this MDA that is not historical fact may be considered "forward looking statements". These forward looking statements sometimes include words to the effect that management believes or expects a stated condition or result. All estimates and statements that describe the Corporation's objectives, goals or plans are forward looking statements. Since forward looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors, including such variables as new information regarding changes in demand for and commodity prices, legislative, environmental and other regulatory or political changes, competition in areas where the Corporation operates, and other factors discussed herein. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from Corporation's projections or expectations.

### **GOING CONCERN**

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. The Company has not generated revenues from operations. The Company is considered to be in the exploration stage as it has not placed any of its mineral properties into production. The underlying value of the Company's mineral properties is dependent upon the existence and economic recovery of such reserves in the future and the ability of the Company to raise financing to complete the future

exploration and development of the properties, including meeting option payment requirements as they fall due.

While the financial statements have been prepared on the assumption that the Company is a going concern and will be able to realize its assets and meet its obligations in the normal course of operations, there are conditions and events that cast doubt on the validity of that assumption. The Company has not generated revenue from operations. The Company has a net comprehensive loss of \$136,613 for the period ended October 31, 2017, a history of prior year losses and, as of that date the Company's accumulated deficit was \$14,023,134. The Company is considered to be in the exploration stage as it has not placed any of its mineral properties into production. The financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. While the financial statements have been prepared on the assumption that the Company is a going concern and will be able to realize its assets and meet its obligations in the normal course of operations, there are conditions and events that cast significant doubt on the validity of that assumption. The Company's ability to continue as a going concern is dependent on the ability of the Company to raise debt or equity financings and the attainment of profitable operations.

Management has taken steps to reduce cash expenditures to a level that will enable operations to continue and minimum mineral property commitments to be met for a minimum of twelve months from the date of these financial statements. There can be no assurance that management's plans will be successful. The financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

### **MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

In connection with National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company is available:

- (a) On SEDAR at [www.sedar.com](http://www.sedar.com)
- (b) On the Company's website at [www.fortstjamesnickel.com](http://www.fortstjamesnickel.com)
- (c) In the Company's annual audited financial statements for the year ended April 30, 2017.



**OUTSTANDING SHARES**

	Number	Exercise Price	Expiry Date
Common Shares	15,123,426	n/a	n/a
Stock Options	40,000	0.50	February 18, 2019
Stock Options	500,000	0.15	October 5, 2021
Warrants	162,582	1.00	June 27, 2018
Warrants	415,000	0.25	July 21, 2018
Warrants	297,500	0.25	August 1, 2018
Warrants	482,000	0.50	March 28, 2019
Warrants	216,970	0.50	May 20, 2019
Warrants	400,000	0.50	June 29, 2020
Broker's Warrants	41,500	0.25	July 21, 2018