



Report Date: December 20, 2018

The following discussion is management's assessment and analysis of the results and financial condition of operations Fort St. James Nickel Corp. ("the Company") and should be read in conjunction with the accompanying unaudited financial statements for the period ended October 31, 2018 and the audited financial statements for the year ended April 30, 2018 and related notes. These financial statements have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB").

All monetary amounts are in Canadian dollars unless otherwise specified. 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 TSX Venture Exchange under the symbol FTJ.V. 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 \$14,691,670 as at October 31, 2018 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**

On July 23, 2018, the Company completed a non-brokered private placement of 500,000 units at a price of \$0.25 per unit for gross proceeds of \$125,000. Each unit consists of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional share of the Company at a price of \$0.30 per warrant share for a period of three years.

### **Resource Properties**

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

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.

During the year ended April 30, 2015, after consideration of the continued depressed market for junior resource company securities and the Company's very low stock price, and their impact upon the Company's ability to raise funding for further exploration costs, management determined that uncertainty on future recoverability of its mineral property asset indicated that the exploration and evaluation assets were impaired. Therefore, an impairment charge of \$1,879,403 was recognized in respect of the Company's mineral property assets. Future expenditures will be regularly assessed for impairment based on conditions then existing.



The highlight of the 2018 rock sampling program is sample 116001. This sample was collected in an area that to the author's knowledge has not been previously documented. The sample was collected from two large boulders subangular to angular possible subcrop of serpentinite, next to an outcrop of limestone. The showing was made possible by recent logging activity. Sample 116001 returned assays of 2030ppm Ni. Another high Nickel value came from sample 116022 of Serpentine boulders/subcrop near a 2011 drill pad.

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.

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; (not yet paid nor shares issued as at October 31, 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.

During the six month period ended October 31, 2018, the Company incurred exploration expenditures totaling \$87,727 (2017 - Nil) with respect to its Porcupine Property and \$51,777 (2017 - \$6,254) on the Kilometer 26 Property. Cumulative acquisition and exploration costs incurred and expenses by the Company to date on its mineral properties are summarized:

	Porcupine Property \$	Kilometer 26 Property \$	Total \$
Balance, April 30, 2017	-	1,922,692	1,922,692
Exploration Costs	-	6,254	6,254
Balance, October 31, 2017	-	1,928,946	1,928,946
Balance, April 30, 2018	171,216	1,963,572	2,134,788
Acquisition Costs	-	1,368	1,368
Exploration Costs	87,727	50,409	138,136
Balance, October 31, 2018	258,943	2,015,349	2,274,292



**LOANS PAYABLE**

	October 31, 2018	April 30, 2018
Loan Payable	69,500	19,500
Accrued Interest	575	-
	70,075	19,500

During the year ended April 30, 2016 the Company borrowed \$27,500 at an interest rate of 10% per annum, due on demand. The loan was repaid in full in 2017. Additional, in 2016, the Company borrowed \$19,500, due on demand.

On September 19, 2018, the Company entered into an agreement with an arm's length individual for a loan of \$50,000. The loan has a term of six months and is subject to an interest rate of 10%.

For the six months ended October 31, 2018, the Company recorded interest expense of \$575 (2017 – \$Nil)

**RESULTS OF OPERATIONS**

Significant expenditures and variations of expenditures incurred during the period ended October 31, 2018 include:

Expenses

	October 31, 2018 \$	October 31, 2017 \$
Six Month Period	\$	\$
Advertising and Marketing	2,372	-
Consulting Fees	51,000	57,200
Exploration and Evaluation Assets Expenditures	139,504	6,254
Insurance	7,000	-
Office and Administration	48,616	28,188
Professional Fees	23,518	15,182
Rent	18,000	18,000
Share-Based Compensation	266,146	-
Transfer Agent and Filing Fees	5,163	11,789
Travel	32	-
	(561,351)	(136,613)

For the period ended October 31, 2018, the Company incurred an operating loss of \$561,351 compared to \$136,613 for the same period in 2017. The increase of \$424,738 is due to an increase in spending in exploration, \$139,504 compared to \$6,254 in 2017, office and administration, \$48,616 compared to \$28,188 in 2017 and stock-based compensation of \$266,146 compared to \$Nil in 2017. Other expense comparison include:

- Consulting Fees – \$51,000 (2017 - \$57,200); was paid was for strategic planning, as well as corporate and administrative services including project evaluation.
- Exploration and Evaluation Assets Expenditures – \$139,504 (2017 - \$6,254); costs in the current period are comprised of exploration and evaluation asset expenditures.



- Office and Administration - \$48,616 (2017 - \$28,188); costs in the current period are comprised of administration, telephone and office supplies.
- Professional Fees - \$23,518 (2017 - \$15,182); comprise of legal, accounting and audit fees, bookkeeping and preparation of preliminary quarterly financial information. The increase reflects an increase in audit fee accruals for the year-end audit.
- Regulatory and Transfer Agent fees - \$5,163 (2017 - \$11,789); consisted of fees paid to regulatory bodies in Canada in connection with routine filings and filing fees for private placement. The Company has completed fewer fund raising for this period as compared to 2017.
- Share-Based Compensation - \$266,146 (2017 - \$Nil); a non-cash compensation cost due to the grant of 650,000 stock options.

Other items

Interest expenses of \$575 for the period ended October 31, 2018 for loans payable (2017 - \$Nil).

<u>Three Month Period</u>	October 31 2018	October 31 2017
	\$	\$
Advertising and Marketing	1,162	-
Consulting Fees	25,500	10,000
Exploration and Evaluation Assets Expenditures	90,308	-
Insurance	7,000	-
Office and Administration	24,388	14,131
Professional Fees	13,819	11,445
Rent	9,000	9,000
Share-Based Compensation	-	-
Transfer Agent and Filing Fees	3,002	9,139
Travel	32	-
	<u>(174,211)</u>	<u>(53,715)</u>

For the three months ended October 31, 2018, the Company had operating losses of 174,211 compared to losses of \$53,715 for the same period in 2017. The increase of \$120,496 is mainly due to an increase in exploration activity (\$90,308 compared to \$Nil in 2017). The Company also saw increases in the areas of consulting fees, office and admin and insurance. These increases are consistent with the Company's initiatives in executing their drill programs. Other expense comparisons include:

- Consulting Fees - \$25,500 (2017 - \$10,000); was paid was for strategic planning, as well as corporate and administrative services including project evaluation.
- Exploration and Evaluation Assets Expenditures - \$90,308 (2017 - \$Nil); was paid of exploration and evaluation assets expenditures.
- Office and Administration - \$24,388 (2017 - \$14,131); costs in the current period are comprised of administration, telephone and office supplies. This increase is due to the execution of the Company's drill programs.
- Professional Fees - \$13,819 (2017 - \$11,445); comprise of legal and accounting and audit fees. The Company increased the quarterly accrual for audit fees.
- Regulatory and Transfer Agent Fees - \$3,002 (2017 - \$9,139); consisted of fees paid to regulatory bodies in Canada in connection with routine filings and filing fees for private placements. The Company had



initiated fewer private placements for this quarter as compared to 2017.

**SUMMARY OF QUARTERLY RESULTS**

The following quarterly operating results have been prepared using IFRS:

	October 31 2018 \$	July 31 2018 \$	April 30 2018 \$	January 31 2018 \$
Total Revenue	-	-	-	-
Net Income (Loss)	(174,786)	(387,140)	(83,085)	(85,432)
Total comprehensive income (loss)	(174,786)	(387,140)	(83,085)	(85,432)
Basic and diluted loss per share	(0.01)	(0.03)	(0.02)	(0.01)

  

	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)

**LIQUIDITY AND CAPITAL RESOURCES**

At October 31, 2018, the Company had cash of \$968 and working capital Deficiency of \$323,047. All cash is deposited in interest accruing accounts.

	October 31, 2018 \$	April 30, 2018 \$
Current assets	22,268	13,015
Exploration and Evaluation Assets	1	1
Total Assets	<u>22,269</u>	<u>13,016</u>
Total Liabilities	<u>345,315</u>	<u>161,532</u>
Shareholders' Deficiency	<u>(323,046)</u>	<u>(148,516)</u>
Working Deficiency	<u>(323,046)</u>	<u>(148,516)</u>

The Company does not generate sufficient cash flow from operations to fund its exploration activities, its acquisitions and its administration costs. The Company is reliant on equity financing to provide the necessary cash to continue its operations.

	October 31, 2018 \$	October 31, 2017 \$
Cash used in operating activities	(179,983)	(286,880)
Cash provided by investing activities	-	(172,500)
Cash provided by financing activities	171,250	486,700
Change in cash	<u>(8,733)</u>	<u>27,320</u>



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

There were no amounts paid nor payable for CEO or CFO services for the period ended October 31, 2018 or for the period ended October 31, 2017.

### **OFF BALANCE SHEET AGREEMENTS**

The Company has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative instrument obligations, or with respect to any obligations under a variable interest entity arrangement.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The details of accounting policies are presented in Note 3 of the annual financial statements ended April 30, 2018. These policies are considered by management to be essential to understanding the processes and reasoning that go into the preparation of the Company's financial statements and the uncertainties that could have a bearing on its financial results.

### **CHANGES IN ACCOUNTING POLICIES**

In preparing these interim financial statements as at October 31, 2018, the significant judgements made by management in applying the Company'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, 2018.

### **RISK AND UNCERTAINTIES**

There are no significant changes relating to the risk factors since the filing of the annual MD&A of April 30, 2018.

### **CAPITAL RISK MANAGEMENT**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration, and development of resource properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company manages its share capital as capital, which as at October 31, 2018, was \$13,298,091 (April 30, 2018 – \$13,268,279). Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period ended October 31, 2018.

### **MANAGEMENT FINANCIAL RISKS**

The fair value of the Company's loan receivable, accounts payable and accrued liabilities, convertible debentures, and amounts due to related parties approximate their carrying value, which is the amount recorded on the consolidated statement of financial position. The Company's other financial instruments, cash and marketable securities under the fair value hierarchy is recorded at fair value based on level one quoted prices in active markets for identical assets or liabilities.

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*The Company's risk exposures and the impact on the Company's financial instruments are summarized below:*

*a) Credit Risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Management believes that its credit risk is not significant.

*b) Liquidity Risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2018, the Company had a cash balance of \$968 to settle current liabilities of \$345,315. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. Management expects to fund those liabilities through the issuance of capital stock and loans from related parties over the coming year.

*c) Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's loans receivable and amounts due to related parties are non-interest bearing. Interest on the Company's debentures payable are based on fixed rates, and as such, the Company is not exposed to significant interest rate risk.

*d) Price Risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

## **FORWARD-LOOKING INFORMATION**

This MD&A, which contains certain forward-looking statements, are intended to provide readers with a reasonable basis for assessing the financial performance of the Company. All statements, other than statements of historical fact, are forward-looking statements. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule" and similar expressions identify forward looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies.

## **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.

### **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 loss from operations of \$561,926 for the six months ended October 31, 2018, a history of prior year losses and, as of that date the Company's accumulated deficit was \$14,691,670. 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.

### **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, 2018.

### **OUTSTANDING SHARES**

	Number	Exercise Price	Expiry Date
Common Shares	15,623,426	n/a	n/a
Stock Options	40,000	\$0.50	February 18, 2019
Stock Options	450,000	\$0.15	October 5, 2021
Stock Options	650,000	\$0.50	April 5, 2023
Warrants	482,000	\$0.50	March 28, 2019
Warrants	216,970	\$0.50	May 20, 2019
Warrants	400,000	\$0.50	July 20, 2020
Warrants	500,000	\$0.30	July 23, 2021