



**CANADA NICKEL COMPANY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Six Months Ending April 30, 2020



# CANADA NICKEL COMPANY

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# CANADA NICKEL COMPANY

Interim Management's Discussion & Analysis  
Three months ended January 31, 2020

## INTRODUCTION

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The following Management's Discussion and Analysis ("**MD&A**") of the operational results and financial condition of Canada Nickel Company Inc. ("**Canada Nickel**" or "**the Company**") constitutes management's review of the factors that affected the Company's financial and operating performance for the six-month period ended April 30, 2020.

This MD&A, dated June 29, 2020, is intended to supplement and complement the Company's unaudited condensed consolidated interim financial statements – prepared in accordance with International Financial Reporting Standards ("IFRS"), applicable to the preparation of interim financial statements including IAS 34 Interim Financial statements – and related notes for the three and six months ended April 30, 2020. This MD&A and related financial statements should be read in conjunction with the following statements in the Company's Application for Listing of Common Shares on the TSX Venture Exchange ("**the Application**") dated February 19, 2020, on file with Canadian provincial securities regulatory authorities and available at [www.sedar.com](http://www.sedar.com): the audited opening interim financial statements of Canada Nickel for the period from incorporation on October 11, 2019 to October 31, 2019 (set out in Schedule "A" to the Application), the audited statement of exploration expenditures for the years ended August 31, 2019 and 2018 (set out in Schedule "B" of the Application), the pro forma consolidated financial statements as at and for the year ended October 31, 2019 (unaudited) (set out in Schedule "C" to the Application), and the statement of exploration expenditures for the three months ended November 30, 2019 (unaudited) (set out in Schedule "D" to the Application). Unless otherwise noted, all amounts presented are in Canadian dollars.

## DESCRIPTION OF BUSINESS

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Canada Nickel is engaged in the exploration and discovery of nickel sulphide assets to deliver future supply for the high growth electric vehicle, green energy and stainless steel markets. The Company owns 100 per cent of the Crawford Nickel-Cobalt Sulphide Project ("**Crawford**" or "**the Project**"), which is located adjacent to major infrastructure in the world class Timmins-Cochrane mining camp of northern Ontario, Canada.

As announced by Noble Mineral Exploration Inc. ("Noble") on October 1, 2019, Noble, Canada Nickel, Spruce Ridge Resources Ltd. (TSXV SHL) ("Spruce Ridge") and certain private investors (the "Investors") entered into a binding letter of intent and a subsequent Implementation Agreement on November 28, 2019, to facilitate Canada Nickel's consolidation of 100% ownership of the Crawford Project. As a part of the Agreement, Canada Nickel paid consideration of \$2,000,000 cash and 12,000,000 Common Shares to Noble, of which 10,000,000 were to be distributed to Noble shareholders. Canada Nickel also issued 20,000,000 Common Shares to Spruce Ridge.

## QUARTERLY HIGHLIGHTS

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On October 1, 2019, Noble released plans for the creation of a new entity, Canada Nickel Company, following the discovery of the Crawford nickel deposit. Mr. Mark Selby was appointed as the Chairman and Chief Executive Officer of Canada Nickel and Messers David Smith, John Leddy, Mike Cox and Russell Starr were appointed to Canada Nickel's Board of Directors. Canada Nickel planned a fully-subscribed \$5 million private placement (the "Private Placement") to fund the cost of the Crawford project consolidation and continue exploration and mineralogical work to advance the project.



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On December 3, 2019 the transfer of the Crawford Nickel Sulphide property to Canada Nickel was completed (see Noble's press release dated December 3, 2019), and Canada Nickel raised \$2.9 million under the previously announced \$5M Private Placement. Due to investor demand, the fully subscribed financing was then increased to \$6.5 million.

On December 9, 2019, assay results were announced from the first nine diamond drill holes (5,267m) of Canada Nickel's inaugural 2019 exploration drill campaign at the Crawford project. All nine drill holes intersected nickel, cobalt and platinum metals mineralization with core length in excess of 330 metres. Mineralization was defined over 1.4 kilometres by 350 to 600 metres wide to a depth of 500 metres and remains open along strike, at depth and to the north. A second drill rig was subsequently mobilized during the quarter to accelerate maiden resource drilling.

## Listed for Trading

On February 27, 2020, common shares in Canada Nickel commenced trading on the TSX Venture Exchange under the code "CNC". For more information, refer to the Company's Form 2B Listing Application available on SEDAR.

## OPERATIONAL OVERVIEW

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### Crawford Nickel-Cobalt Sulphide Project

The Crawford Ultramafic Complex, a 8-kilometre long body of peridotite, dunite and their serpentized equivalents, entirely under cover, was defined by a helicopter-borne magnetic and electromagnetic survey and an airborne gravity survey, both conducted over of the entire project area of 100 sq. km. An Artificial Intelligence (A.I.) review of data, provided by Albert Mining Inc. also identified the area as being prospective for nickel.

Following the inaugural drilling campaign results, released in early 2019, undertaken by Spruce Ridge and its Joint Venture partners, a group of private investors, four discovery holes totaling 1,818 metres intersected multi-hundred metre intervals of serpentized dunite with persistent nickel values with two of the four holes ending in mineralization. (see Noble release dated March 4, 2019).

As a result, Canada Nickel began a follow up drilling campaign in September 2019. The focus of this second drilling program was to extend the mineralization along strike and test the northern and southern extent of the mineralization. A total of nine holes in the Main Zone (see Figure 1) successfully extended the structure to 1.4 kilometre strike length by 350 to 600 metres wide by up to 500 metres deep (see Noble release dated December 9, 2019). (See Figure 2 below.) The mineralization remains open along strike, both north and south, and at depth.



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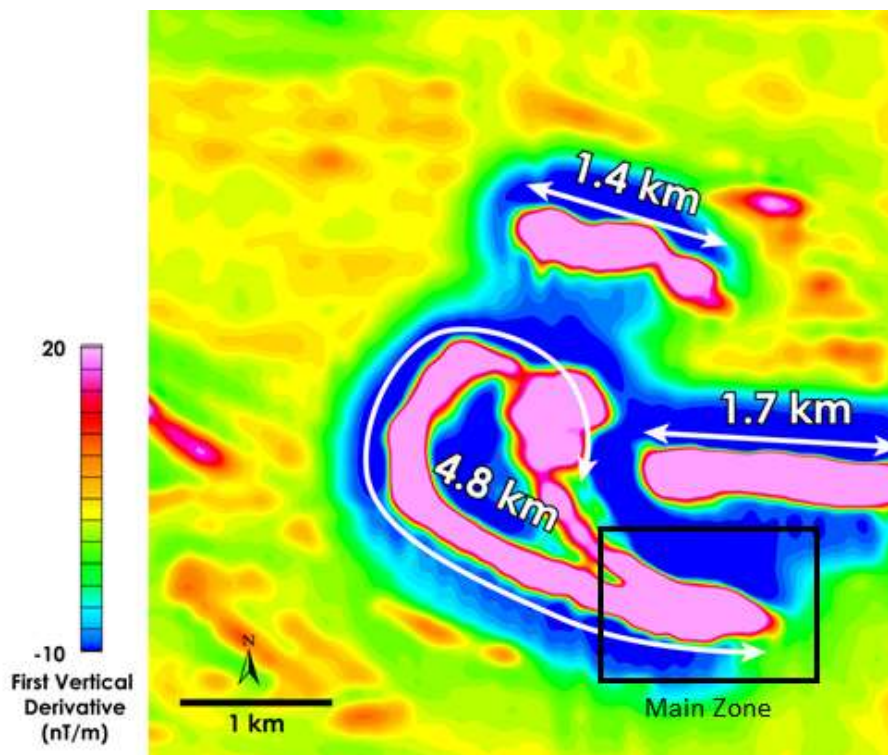
Interim Management's Discussion & Analysis  
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## Highlights:

- All holes drilled intersected nickel-cobalt PGM mineralization in excess of 330 metres.
  - 4 holes with continuous mineralization in excess of 500 metres
  - 4 of 9 holes ended in mineralization
- Mineralization was defined over 1.4 kilometres by 350 to 600 metres wide to a depth of 500 metres – remaining open along strike, at depth and to the north.
- A higher grade area (>0.3% nickel) was defined on the northern side of structure across a 1 kilometre strike length with intersections of 126 to 260 metres containing an incrementally higher grade zone (>0.35% nickel) with intersections of 35 to 134 metres.
  - That mineralization remains open to the north, west, and at depth with significant results such as hole CR19-11 intersecting 390 m of 0.271% nickel, 0.014% cobalt, including 134 m of 0.357% nickel, 0.015% cobalt, and 0.09 g/t Pd+Pt

For more information please refer to Noble's press release dated December 9, 2019

**Figure 1 – Crawford Nickel-Cobalt Project - 7.9 km of Strike Length**

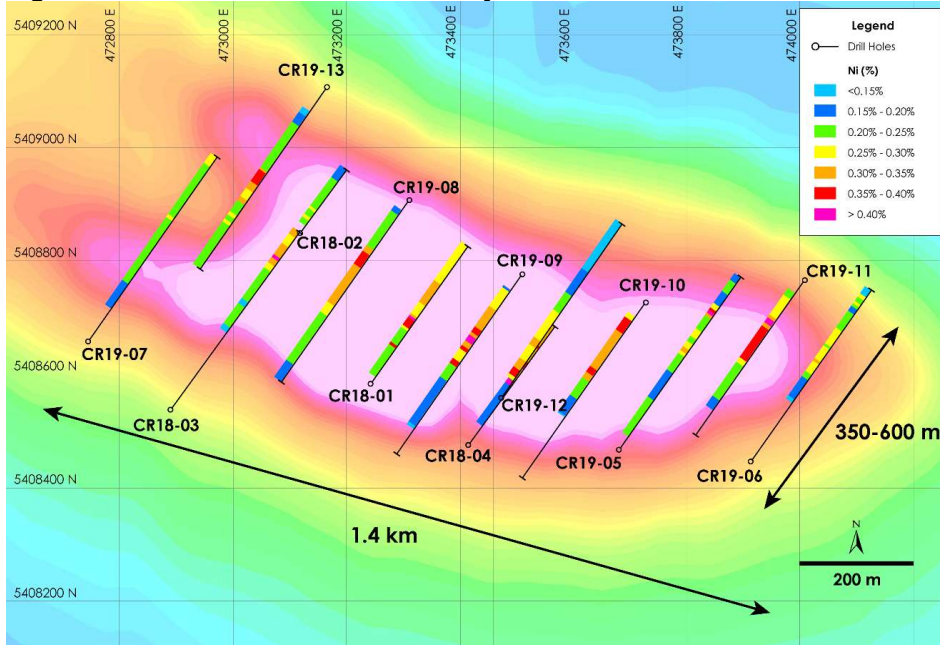




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**Figure 2 – Crawford Nickel-Cobalt Project - Plan View of 2018 and 2019 Drilling**



Total magnetic intensity coloured with a linear colour transform from low magnetic field (blue) to high (red)





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## Outlook

This outlook includes forward-looking information about Canada Nickel's operations and financial expectations for the remainder of the 2020 financial year and is based on management's expectations and outlook as of June 29, 2020. This outlook, including upcoming work programs, expected results and targets, is subject to various risks, uncertainties and assumptions which may impact future performance and our achievement of the results and targets discussed in this section. For additional information on forward-looking information, refer to "Forward-Looking Information" in this MD&A. This outlook may be periodically updated depending on changes in metals prices and other factors.

At Crawford, Canada Nickel has completed drilling the Main Zone, announced a Maiden Resource and initial mineralogy testing (see "Subsequent Events" section below). Mineralogy testing continues at XPS Expert Process Solutions ("XPS") and SGS Canada ("SGS") on over 600 samples already shipped out of an initial 1,000 target samples. Canada Nickel intends to fast track the development of Crawford and embark on a Preliminary Economic Assessment. Regional exploration on the broader Crawford property also continues, including follow up on higher grade PGE (platinum group elements) occurrences in the northern contact of the Main Zone.

## SUBSEQUENT EVENTS

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On May 5, 2020, the Company closed a non-brokered private placement for aggregate gross proceeds of \$4,449,670 (the "Offering") of (i) 1,642,890 units of the Company (the "Units") at an offer price of \$0.35 per Unit, (ii) 4,390,000 common shares of the Company each of which qualifies as a "flow-through share" (the "Flow-Through Shares") as defined in subsection 66(15) of the Income Tax Act (Canada) (the "Tax Act") at an offer price of \$0.40 per Flow-Through Share, and (iii) 4,113,900 flow-through units of the Company (the "FT Units") at an offer price of \$0.515 per FT Unit.

Each Unit consists of one common share of the Company and one-half of one transferable common share purchase warrant of the Company (each whole common share purchase warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire one common share of the Company at a price of \$0.57 per common share for a period of 30 months following the closing date of the Offering, subject to adjustment and acceleration in certain events.

## Maiden Resource Estimate

On February 28, 2020, Canada Nickel announced its maiden mineral resource estimate for the Crawford Project.

The maiden resource includes a higher grade core of measured and indicated resource of approximately 263 million tonnes at 0.31% Ni, 0.013% Co, and 0.038 g/t Pd + Pt within an overall measured and indicated resource of approximately 600 million tonnes at 0.25% Ni and 0.013% Co. There is an additional higher grade inferred resource of approximately 66 million tonnes at 0.29% Ni and 0.013% Co within an overall inferred resource of approximately 310 million tonnes at 0.23% Ni and 0.013% Co. All drill holes intersected multi-hundred metre mineralization with multiple intersection of 19 to 92 metres in excess of 0.40% Ni and 0.014% Co. Significant potential remains to expand the resource at Crawford, with drilling to-date having only tested approximately 20



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per cent of the overall structure and it remains open in multiple directions. Based on metrics utilized by research analysts Wood Mackenzie and SNL, the Crawford Project currently ranks as one of the 12 largest nickel sulphide resources globally.

The Mineral Resource Estimate was prepared by Caracle Creek International Consulting Inc. in accordance with CIM Definition Standards on Mineral Resources and Reserves, effective as of February 27, 2020. A Technical Report in support of the Mineral Resource Estimate will be filed on SEDAR within 45 days of the effective date.

### **Option Agreement on Additional Properties**

On March 4, 2020, Canada Nickel announced the signing of a Memorandum of Agreement with Noble to acquire an additional property and enter into option agreements on five additional targets near the Crawford Project. Canada Nickel will pay Noble \$500,000 in cash and issue 500,000 Canada Nickel common shares to acquire the Crawford Annex property and have the option to earn up to an 80% interest in five additional nickel targets within the Project 81 land package. The Crawford Annex comprises 4,909 hectares in Crawford and Lucas townships and the option areas range in size of 903 to 5,543 hectares. On May 22, 2020, this transaction closed.

### **Initial Mineralogy Results**

On March 12, 2020, Canada Nickel released the initial mineralogical assessment results of sample material from the Crawford Nickel-Cobalt Project. Results showed that approximately 89% of the nickel in the Higher Grade Core of Crawford's resource is contained in nickel sulphide and nickel-iron alloy minerals. Around 59% of the nickel in the Lower Grade Zones is contained in nickel sulphide and nickel-iron alloy minerals. Both the higher and lower grade areas contain significant quantities of magnetite. In the Higher Grade Core, the magnetite content averaged 8.7% and in the Lower Grade Zones averaged 6.9%.

For more information please refer to the full press release available on Canada Nickel's corporate website [www.canadanickel.com](http://www.canadanickel.com) and filed on Sedar at [sedar.com](http://sedar.com).

### **SELECTED QUARTERLY INFORMATION**

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The Company was incorporated October 11, 2019, with no activity prior to October 31, 2019. Accordingly, comparative information has not been presented.

For the three and six months ended April 30, 2020, the Company reported a loss of \$769,091 and \$1,198,392, respectively or \$0.03 per share, mainly as a result of; general and administrative costs of \$169,156 and \$250,826, respectively, marketing and promotion fees of \$402,027 and \$576,741, respectively; share based compensation of \$126,381 and \$148,622, respectively; consulting and management fees were \$48,000 and \$96,000, respectively; and travel expenses of \$5,165 and \$60,181, respectively.





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## Interim Management's Discussion & Analysis Six months ended April 30, 2020

During the period, and more substantially in the three months ended April 30, 2020, the Company invested in marketing and shareholder awareness campaigns, attending targeted events in the Canada, US and Europe.

Share based compensation increased to \$126,381 during the three months ended April 30, 2020, contrasted with \$22,241, directly as a result of the application of graded vesting of options granted January 13, 2020, late in the first quarter.

Additionally, during the six months ended the Company incurred \$14,313,664 in costs associated with its Crawford Project, as follows:

	Six Months Ended April 30, 2020	October 11, 2019 (Incorporation) to October 31 2019
<b>Crawford Project, Timmins, Canada</b>		
Balance, beginning of period	\$ -	\$ -
Acquisition costs	10,000,352	-
Drilling	2,493,744	-
Assays	648,925	-
Geological and consulting	1,067,467	-
Metallurgical services	88,980	-
Salaries	-	-
Prospecting and reconnaissance	7,000	-
Support costs	7,196	-
<b>Total, End of Period</b>	<b>\$ 14,313,664</b>	<b>\$ -</b>

### Operating Activities

For the six months ended April 30, 2020, total used provided by operating activities was \$580,702, with the balance primarily attributable to an increase in accounts payable of \$2,252,167, consisting primarily of exploration related payables, as well as an increase in accounts receivable, consisting primarily of recoverable commodity taxes.

### Investing Activities

For the six months ended April 30, 2019, total cash used by investing activities was \$6,853,664, driven primarily by the acquisition of the Company's Crawford project, and the funding of two promissory notes.



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## Financing Activities

For the six months ended April 30, 2019, total cash provided by financing activities was \$6,510,092 due to share issuance proceeds of \$6,742,834 offset by cash costs of issue of \$232,742

## Liquidity and Capital Resources

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. As at April 30, 2020, the Company had a cash balance of \$237,130 (October 31, 2019 - \$0.25) to settle current liabilities of \$2,775,350 (October 31, 2019 - \$nil). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. As the Company does not generate revenue, managing liquidity risk is dependent upon the ability to secure additional financing.

In May 2020, the Company raised a further \$4,449,670 through the issuance of (i) 1,642,890 units of the Company (the "Units") at an offer price of \$0.35 per Unit, (ii) 4,390,000 common shares of the Company each of which qualifies as a "flow-through share" (the "Flow-Through Shares") as defined in subsection 66(15) of the Income Tax Act (Canada) (the "Tax Act") at an offer price of \$0.40 per Flow-Through Share, and (iii) 4,113,900 flow-through units of the Company (the "FT Units") at an offer price of \$0.515 per FT Unit.

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The Corporation's total assets at April 30, 2020 total \$15,822,489.

## OFF-BALANCE SHEET ARRANGEMENTS

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As of the date of this MD&A, Canada Nickel does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.



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## OUTSTANDING SHARE DATA

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Canada Nickel began trading on February 27, 2020 with 57 million shares issued and outstanding with no warrants. As of June 28, 2020, the Company had 67,921,790 common shares issued and outstanding.

As at April 30 2020, the Corporation had the following securities outstanding, which are exercisable for common shares:

	Number of Securities	Weighted Average Exercise Price
Stock options	4,500,000	\$0.25
Warrants	2,878,395	\$0.53

The Company also has 2 million restricted share units.

An investment in Canada Nickel should be considered highly speculative due to the nature of its activities and the present stage of its development. Canada Nickel is subject to a number of risk factors due to the nature of the mineral business in which it is engaged, the limited extent of its assets and its stage of development. The exploration operations of the Company are speculative due to the high-risk nature of its business which is primarily focused on the acquisition, exploration and development of mineral projects. The Company's activities in pursuit of its objectives are subject to a number of risks and uncertainties.

The following is a summary of the most significant of those risks and uncertainties affecting or that could affect the financial condition or results of operations of the Company. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. The Company may face additional risks and uncertainties, including, risks and uncertainties that are unknown to the Company or risks and uncertainties that the Company now believes to be unimportant, which could have a material adverse effect on the business of the Company. If any of the risks actually occur, the business, financial condition or results of operations of the Company could be negatively affected.

### Working Capital Requirements

In order to meet future working capital requirements, the Company may need to sell non-core assets, cut additional costs and/or raise additional capital. If the Company seeks to raise additional capital, it may not be available when needed, or if available, the terms of such capital might not be favourable to the Company. Global securities markets continue to experience volatility, which is resulting in difficulty in raising equity capital and market forces may render it difficult or impossible for the Company to secure places to purchase any new share issuances at prices which will not lead to severe dilution to existing shareholders, or at all. There can be no assurance that the Company will be successful in raising capital, selling non-core assets and/or cutting sufficient costs to meet the Company's future working capital requirements. If the Company is not successful in doing so (or in doing so sufficiently), it may have a material adverse effect on the Company's business, financial



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## Interim Management's Discussion & Analysis Six months ended April 30, 2020

condition and results of operations (including, in certain circumstances, the ability of the Company to continue to operate as a going concern).

### **Ability to Continue as a Going Concern**

The Company believes that it has or will have sufficient funds to meet its obligations and planned expenditures for the ensuing twelve months as they fall due. In assessing whether the going concern assumption contained in the Company's financial statements for the six months ended April 30, 2020 is appropriate, the Company takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company's ability to continue future operations beyond April 30, 2021 may be dependent on the Company's ability to secure additional financing, sell non-core assets and/or reduce its working capital requirements.

### **Liquidity and Additional Financing**

Canada Nickel's ability to continue its business operations is dependent on management's ability to secure additional financing. Canada Nickel's only source of liquidity is its cash and cash equivalent balances. Liquidity requirements are managed based upon forecasted cash flows to ensure that there is sufficient working capital to meet Canada Nickel's obligations.

The advancement, exploration and development of Canada Nickel's properties, including continuing exploration and development projects, and, if warranted, construction or repair of mining facilities and the commencement of mining operations, will require substantial additional financing. As a result, Canada Nickel may be required to seek additional sources of equity financing in the near future. Canada Nickel's ability to raise additional equity financing may be affected by numerous factors beyond its control including, but not limited to, adverse market conditions, commodity price changes and economic downturns. There can be no assurance that Canada Nickel will be successful in obtaining any additional financing (including the Canada Nickel Private Placement) required to continue its business operations and/or to maintain its property interests, or that such financing will be sufficient to meet Canada Nickel's objectives or obtained on terms favourable to Canada Nickel. Failure to obtain sufficient financing (including the Canada Nickel Private Placement) as and when required may result in the delay or indefinite postponement of exploration and/or development on any or all of Canada Nickel's properties, or even a loss of its property interests, which would have a material adverse effect on Canada Nickel's business, financial condition and results of operations.

### **Exploration, Development and Operating Risks**

Development of any of Canada Nickel's exploration and development-stage mineral projects will only follow upon, among other things, obtaining satisfactory exploration results and the completion of feasibility or other economic studies. The exploration and development of mineral deposits involve significant financial risks over a significant period of time which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities in the Crawford Nickel Assets or other Canada Nickel sites. It is impossible to ensure that the proposed exploration programs on exploration properties in which Canada Nickel has an interest will result in a profitable commercial mining operation.



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## Interim Management's Discussion & Analysis Six months ended April 30, 2020

The economics of exploring and developing mineral properties are affected by many factors including capital and operating costs, variations of the grades and tonnages of ore mined, fluctuating mineral market prices, costs of mining and processing equipment and such other factors as government regulations, allowable production, importing and exporting of minerals and environmental protection. Whether the exploration of the Crawford Nickel Assets or future development of Canada Nickel's properties is economically feasible will depend upon numerous factors, most of which are beyond the control of Canada Nickel, including: the availability and cost of required development capital, movement in the price of commodities, securing and maintaining title to mining tenements as well as obtaining all necessary consents, permits and approvals for the development of the mine.

Should a producing mine be developed at any of Canada Nickel's exploration or development-stage mineral properties, other factors will ultimately impact whether mineral extraction and processing can be conducted economically, including actual mineralization, consistency and reliability of ore grades and future commodity prices, as well as the effective design, construction and operation of processing facilities. Canada Nickel's operating expenses and capital expenditures may increase in subsequent years as consultants, personnel and equipment associated with advancing exploration, development and commercial production of its properties are added. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in Canada Nickel not receiving an adequate return on invested capital.

Mining operations are inherently dangerous and generally involve a high degree of risk. Canada Nickel's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of nickel, including, without limitation, unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding, pit wall failure, mining voids, and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, personal injury or loss of life, damage to property and environmental damage, all of which may result in possible legal liability. Although Canada Nickel expects that adequate precautions to minimize risk will be taken, mining operations are subject to hazards such as fire, rock falls, geomechanical issues, equipment failure, which may result in environmental pollution and consequent liability. The occurrence of any of these events could result in a prolonged interruption of Canada Nickel's operations that would have a material adverse effect on its business, financial condition and prospects.

The long term profitability of Canada Nickel's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors, including Canada Nickel's ability to extend the permitted term of exploration granted by the underlying claims, concessions and leases. Substantial expenditures are required to establish resources and reserves through drilling, to develop the extraction and processing facilities and infrastructure at any site chosen for extraction. Although substantial benefits may be derived from the discovery of a major deposit, no assurance can be given that any such deposit will be commercially viable or that the funds required for development can be obtained on a timely basis.



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## **No Earnings and History of Losses**

The business of developing and exploring resource properties involves a high degree of risk and, therefore, there is no assurance that current exploration programs will result in profitable operations. Canada Nickel has not determined whether any of its properties contains economically recoverable reserves of mineralized material and currently has not earned any revenue from its projects; therefore, Canada Nickel does not generate cash flow from its operations. There can be no assurance that significant additional losses will not occur in the future. Canada Nickel's operating expenses and capital expenditures may increase in future years with advancing exploration, development and/or production from Canada Nickel's properties. Canada Nickel does not expect to receive revenues from operations in the foreseeable future and expects to incur losses until such time as one or more of its properties enters into commercial production and generates sufficient revenue to fund continuing operations. There is no assurance that any of Canada Nickel's properties will eventually enter commercial operation. There is also no assurance that new capital will become available, and if it does not, Canada Nickel may be forced to substantially curtail or cease operations.

## **Uncertainty Relating to Inferred and Indicated Mineral Resources**

There is a risk that the inferred and indicated mineral resources currently reported for the Crawford Project cannot be converted into mineral reserves as the ability to assess geological continuity is not sufficient to demonstrate economic viability. Due to the uncertainty that may attach to inferred and indicated mineral resources, there is no assurance that inferred and indicated mineral resources will be upgraded to resources with sufficient geological continuity to constitute proven and probable mineral reserves as a result of continued exploration.

## **Reliability of Mineral Resource Estimates**

Mineral resources are estimates only, and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Mineral resource estimates may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing and other relevant issues. There are numerous uncertainties inherent in estimating mineral resources, including many factors beyond Canada Nickel's control. Such estimation is a subjective process, and the accuracy of any mineral resource estimate is a function of the quantity and quality of available data, the nature of the mineralized body and of the assumptions made and judgments used in engineering and geological interpretation. These estimates may require adjustments or downward revisions based upon further exploration or development work or actual production experience.

Fluctuations in nickel and other metal prices, results of drilling, metallurgical testing and production, the evaluation of mine plans after the date of any estimate, permitting requirements or unforeseen technical or operational difficulties may require revision of mineral resource estimates. Should reductions in mineral resources occur, Canada Nickel may be required to take a material write-down of its investment in mining properties, reduce the carrying value of one or more of its assets or delay or discontinue production or the development of new projects, resulting in increased net losses and reduced cash flow. Mineral resources should not be interpreted as assurances of mine life or of the profitability of current or future operations. Any material reductions in estimates of mineral resources could have a material adverse effect on Canada Nickel's business, financial condition and results of operations.





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Mineral resources are not mineral reserves and do not have demonstrated economic viability. Due to the uncertainty which may attach to mineral resources, there is no assurance that mineral resources will be upgraded to proven and probable mineral reserves as a result of continued exploration.

## **There Is No Current Public Market for the Canada Nickel Common Shares and Volatility of Commodity Prices**

There is no current public market for the Canada Nickel Common Shares. If an active public market for the Canada Nickel Common Shares does not develop, the trading price of the Canada Nickel Common Shares may decline. The development of Canada Nickel's properties is dependent on the future prices of minerals and metals. As well, should any of Canada Nickel's properties eventually enter commercial production, Canada Nickel's profitability will be significantly affected by changes in the market prices of minerals and metals.

Base and precious metals prices are subject to volatile price movements, which can be material and occur over short periods of time and which are affected by numerous factors, all of which are beyond Canada Nickel's control. Such factors include, but are not limited to, interest and exchange rates, inflation or deflation, fluctuations in the value of the U.S. dollar and foreign currencies, global and regional supply and demand, speculative trading, the costs of and levels of base and precious metals production, and political and economic conditions. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems, the strength of and confidence in the U.S. dollar (the currency in which the prices of base and precious metals are generally quoted), and political developments.

The effect of these factors on the prices of base and precious metals, and therefore the economic viability of any of Canada Nickel's exploration projects, cannot be accurately determined. The prices of commodities have historically fluctuated widely, and future price declines could cause the development of (and any future commercial production from) Canada Nickel's properties to be impracticable or uneconomical. As such, Canada Nickel may determine that it is not economically feasible to commence commercial production at some or all of its properties, which could have a material adverse impact on Canada Nickel's financial condition and results of operations. In such a circumstance, Canada Nickel may also curtail or suspend some or all of its exploration activities.

## **Governmental Regulation**

The mineral exploration and development activities of Canada Nickel are subject to various laws governing prospecting, exploration, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters in local areas of operation. Although Canada Nickel's exploration and development activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration, development or production. Amendments to current laws and regulations governing Canada Nickel's operations, or more stringent implementation thereof, could have an adverse impact on Canada Nickel's business and financial condition.



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## **Acquiring Title**

The acquisition of title to mineral properties is a very detailed and time-consuming process. Canada Nickel may not be the registered holder of some or all of the claims, concessions and leases comprising the Projects or any of the mineral projects of Canada Nickel. These claims, concessions or leases may currently be registered in the names of other individuals or entities, which may make it difficult for Canada Nickel to enforce its rights with respect to such claims, concessions or leases. There can be no assurance that proposed or pending transfers will be effected as contemplated. Failure to acquire title to any of the claims, concessions or leases at one or more of Canada Nickel's projects may have a material adverse impact on the financial condition and results of operations of Canada Nickel.

## **Title Matters**

Once acquired, title to, and the area of, mineral properties may be disputed. There is no guarantee that title to one or more claims, concessions or leases at Canada Nickel's projects will not be challenged or impugned. There may be challenges to any of Canada Nickel's titles which, if successful, could result in the loss or reduction of Canada Nickel's interest in such titles. Canada Nickel's properties may be subject to prior unregistered liens, agreements, transfers or claims, and title may be affected by, among other things, undetected defects. In addition, Canada Nickel may be unable to operate its properties as permitted or to enforce its rights with respect to its properties. The failure to comply with all applicable laws and regulations, including a failure to pay taxes or to carry out and file assessment work, can lead to the unilateral termination of concessions by mining authorities or other governmental entities.

## **Aboriginal Claims and Consultation Issues**

Aboriginal interests and rights as well as related consultation issues may impact Canada Nickel's ability to pursue exploration, development and mining at its properties. Canada Nickel intends to enter into agreements with First Nations and other Aboriginal communities in order to manage its relationship with those groups but there is no assurance that claims or other assertions of rights by Aboriginal communities or consultation issues will not arise on or with respect to Canada Nickel's properties or activities. These could result in significant costs and delays or materially restrict Canada Nickel's activities.

## **Labour and Employment Matters**

While Canada Nickel has good relations with its employees, exploration and development at its mining properties is dependent upon the efforts of Canada Nickel's employees. In addition, relations between Canada Nickel and its employees may be affected by changes in the scheme of labour relations that may be introduced by the relevant governmental authorities in whose jurisdictions Canada Nickel carries on business. Changes in such legislation or in the relationship between Canada Nickel and its employees may have a material adverse effect on Canada Nickel's business, results of operations and financial condition.



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## **Insurance and Uninsured Risks**

Canada Nickel's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, catastrophic equipment failures, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to Canada Nickel's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Although Canada Nickel will maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with a mining company's operations. Canada Nickel may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to Canada Nickel or to other companies in the mining industry on acceptable terms. Canada Nickel might also become subject to liability for pollution or other hazards that may not be insured against or that Canada Nickel may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Canada Nickel to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

## **Environmental Risks and Hazards**

All phases of Canada Nickel's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for Companies and their officers, directors and employees.

There is no assurance that existing or future environmental regulation will not materially adversely affect Canada Nickel's business, financial condition and results of operations. Government environmental approvals and permits are currently, or may in the future be, required in connection with Canada Nickel's operations. To the extent such approvals are required and not obtained, Canada Nickel may be curtailed or prohibited from proceeding with planned exploration, development or operation of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations, including Canada Nickel, may be required



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to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of companies in the mining industry, or more stringent implementation thereof, could have a material adverse impact on Canada Nickel and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties.

### **Attracting and Retaining Talented Personnel**

Canada Nickel's success will depend in large measure on the abilities, expertise, judgment, discretion, integrity and good faith of management and other personnel in conducting the business of Canada Nickel. Canada Nickel will initially have a small management team and the loss of any of these individuals or the inability to attract suitably qualified staff could materially adversely impact the business. Canada Nickel's ability to manage its operating, development, exploration and financing activities will depend in large part on the efforts of these individuals. Canada Nickel may also experience difficulties in certain jurisdictions in efforts to obtain suitably qualified staff and retaining staff who are willing to work in that jurisdiction.

Canada Nickel's success will depend on the ability of management and employees to interpret market and geological data successfully and to interpret and respond to economic, market and other business conditions in order to locate and adopt appropriate investment opportunities, monitor such investments and ultimately, if required, successfully divest such investments. Further, key personnel may not continue their association or employment with Canada Nickel, which may not be able to find replacement personnel with comparable skills. Canada Nickel has sought to and will continue to ensure that management and any key employees are appropriately compensated; however, their services cannot be guaranteed. If Canada Nickel is unable to attract and retain key personnel, business may be adversely affected. Canada Nickel faces intense competition for qualified personnel, and there can be no assurance that Canada Nickel will be able to attract and retain such personnel.

### **Construction and Start-up of New Mines**

The success of construction projects and the start up of new mines by Canada Nickel is subject to a number of factors including the availability and performance of engineering and construction contractors, mining contractors, suppliers and consultants, the receipt of required governmental approvals and permits in connection with the construction of mining facilities and the conduct of mining operations (including environmental permits), and the successful completion and operation of operational elements that have to be factored in. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which Canada Nickel is dependent in connection with its construction activities, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay in or failure in connection with the completion and successful operation of the operational elements in connection with new mines could delay or prevent the construction and start-up of new mines as planned. There can be no assurance that current or future construction and start-up plans implemented by Canada Nickel will be successful; that Canada Nickel will be able to obtain sufficient funds to finance construction and start-up activities; that available personnel and equipment will be available in a timely manner or on reasonable terms to successfully complete construction projects; that Canada Nickel will be able to obtain all necessary governmental approvals and



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permits; and that the completion of the construction, the start-up costs and the ongoing operating costs associated with the development of new mines will not be significantly higher than anticipated by Canada Nickel. Any of the foregoing factors could adversely impact the operations and financial condition of Canada Nickel.

### **Infrastructure**

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect Canada Nickel's business, financial condition and results of operations.

### **Competition for Exploration, Development and Operation Rights**

The mining industry is intensely competitive in all of its phases and Canada Nickel competes with many companies possessing greater financial and technical resources than Canada Nickel. Competition in the base and precious metals mining industry is primarily for: mineral rich properties that can be developed and produced economically; the technical expertise to find, develop and operate such properties; the labour to operate the properties; and the capital for the purpose of funding such properties. Many competitors not only explore for and mine base and precious metals but conduct refining and marketing operations on a global basis. Such competition may result in Canada Nickel being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect Canada Nickel's prospects for mineral exploration and success in the future.

Increased demand for services and equipment could cause project costs to increase materially, resulting in delays if services or equipment cannot be obtained in a timely manner due to inadequate availability, or at all, and increase potential scheduling difficulties and cost increases due to the need to coordinate the availability of services or equipment, any of which could materially increase project exploration, development or construction costs, result in project delays or both.

### **Possible Conflicts of Interest of Directors and Officers of Canada Nickel**

Certain of the directors and officers of Canada Nickel will also serve as directors and/or officers of other Companies involved in mineral resource exploration and development and, consequently, there exists the possibility for such directors and officers to be in a position of conflict. Canada Nickel expects that any decision made by any of such directors and officers involving Canada Nickel will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of Canada Nickel and its shareholders, but there can be no assurance in this regard.

### **Permitting Risk**

Canada Nickel's operations are subject to receiving and maintaining permits from appropriate governmental authorities. There is no assurance that delays will not occur in connection with obtaining all necessary renewals of permits for the existing operations, additional permits for any possible future changes to operations, or





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additional permits associated with new legislation. Prior to any development or operations on any of its properties, Canada Nickel must receive permits from appropriate governmental authorities. There can be no assurance that Canada Nickel will continue to hold all permits necessary to develop or continue operating at any particular property.

## **Changes in the Price of Nickel**

The ability to develop the Crawford Project is directly related to the market price of nickel. Nickel is sold in an active global market and traded on commodity exchanges, such as the LME and the New York Mercantile Exchange. Nickel prices are subject to significant fluctuations and are affected by many factors, including actual and expected macroeconomic and political conditions, levels of supply and demand, the availability and costs of substitutes, input costs, foreign exchange rates, inventory levels, investments by commodity funds and other actions of participants in the commodity markets. Nickel prices have fluctuated widely, particularly in recent years. Consequently, the economic viability of the Crawford Project cannot be accurately predicted and may be adversely affected by fluctuations in nickel prices.

## **Increased Availability of Alternative Nickel Sources or Substitution of Nickel from End Use Applications**

Demand for primary nickel may be negatively affected by the direct substitution of primary nickel with other materials in current and future applications. In response to high nickel prices or other factors, producers of batteries may shift from batteries with high nickel content to batteries with either lower nickel content or no nickel content. In addition, in response to high nickel prices or other factors, producers and consumers of stainless steel may partially shift from stainless steel with high nickel content to stainless steels with either lower nickel content or no nickel content. One or both of these shifts may adversely affect demand for nickel.

## **Volatility of Market for Canada Nickel Common Shares**

The market price of the Canada Nickel Common Shares may be highly volatile and could be subject to wide fluctuations in response to a number of factors that are beyond Canada Nickel's control, including: (i) dilution caused by issuance of additional Canada Nickel Common Shares and other forms of equity securities, which Canada Nickel expects to make in connection with future financings to fund operations and growth, to attract and retain qualified personnel and in connection with future strategic partnerships with other companies, (ii) announcements of new acquisitions, reserve discoveries or other business initiatives by competitors, (iii) fluctuations in revenue from operations as new reserves come to market, (iv) changes in the market for nickel and/or in the capital markets generally, (v) changes in the demand for minerals and metals; and (vi) changes in the social, political and/or legal climate in the regions in which Canada Nickel operates. In addition, the market price of Canada Nickel Common Shares could be subject to wide fluctuations in response to: (a) quarterly variations in operating expenses, (b) changes in the valuation of similarly situated Companies, both in the mining industry and in other industries, (c) changes in analysts' estimates affecting Canada Nickel, competitors and/or the industry, (d) changes in the accounting methods used in or otherwise affecting the industry, (e) additions and departures of key personnel, (f) fluctuations in interest rates, exchange rates and the availability of capital in the capital markets, and (g) significant sales of Canada Nickel Common Shares, including sales by future investors in future offerings which may be made to raise additional capital. These and other factors will be largely beyond Canada Nickel's control, and the impact of these risks, singularly or in the aggregate, may result in





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material adverse changes to the market price of Canada Nickel Common Shares and/or Canada Nickel's results of operations and financial condition.

## **Dilution Risk**

In order to finance future exploration and development efforts, Canada Nickel may raise funds through the issue of Canada Nickel Common Shares or securities convertible into Canada Nickel Common Shares. The constating documents of Canada Nickel will allow it to issue, among other things, an unlimited number of Canada Nickel Common Shares for such consideration and on such terms and conditions as may be established by the directors of Canada Nickel, in many cases, without the approval of shareholders. The size of future issues of Canada Nickel Common Shares or securities convertible into Canada Nickel Common Shares or the effect, if any, that future issues and sales of Canada Nickel Common Shares will have on the price of Canada Nickel Common Shares cannot be predicted at this time. Any transaction involving the issue of previously authorized but unissued Canada Nickel Common Shares or securities convertible into Canada Nickel Common Shares would result in dilution, possibly substantial, to present and prospective shareholders of Canada Nickel.

## **Dividends**

Canada Nickel does not intend to declare dividends for the foreseeable future, as Canada Nickel anticipates that any future earnings will be re-invested in the development and growth of the business. Therefore, investors will not receive any funds unless they sell their Canada Nickel Common Shares, and shareholders may be unable to sell their shares on favorable terms or at all. Investors cannot be assured of a positive return on investment or that they will not lose the entire amount of their investment in Canada Nickel Common Shares. See "Dividends and Distributions" of this Application.

## **The Corporation faces risks related to COVID 19 and other outbreaks of communicable diseases, which could significantly disrupt our activities and may materially and adversely affect our business and financial conditions.**

Our business could be adversely impacted by the effects of the coronavirus or other epidemics. In December 2019, a novel strain of the coronavirus (COVID-19) emerged in China and the virus has now spread to several other countries, including Canada, Australia and the U.S., and infections have been reported globally. The extent to which the coronavirus impacts our business, including our operations and the market for our securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the outbreak and the actions taken to contain or treat the coronavirus outbreak. In particular, the continued spread of the coronavirus globally could materially and adversely impact our business including without limitation, employee health, supply chain impacts, limitations on travel, the availability of industry experts and personnel, restrictions to our drill program and/or the timing to process drill and other metallurgical testing, causing a suspension or halt in all or a portion of our operations for an indefinite amount of time and other factors that will depend on future developments beyond our control, which may have a material and adverse effect on our business, financial condition and results of operations. In addition, a significant outbreak of coronavirus could result in a widespread global health crisis that could adversely affect global economies and financial markets resulting in an economic downturn that could have an adverse effect on the demand for precious metals, our ability to raise capital and our future prospects



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## **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

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This MD&A contains certain information that may constitute "forward-looking information" under applicable Canadian securities legislation about Canada Nickel Company Inc. ("**CNC**"). Forward-looking information includes statements about strategic plans, including future operations, future work programs, capital expenditures, discovery and production of minerals, price of nickel, timing of geological reports and corporate and technical objectives. Forward-looking information is necessarily based upon a number of assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking information, including the risks inherent to the mining industry, adverse economic and market developments. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. All forward-looking information contained in this MD&A is given as of the date hereof and is based upon the opinions and estimates of management and information available to management as at the date hereof. CNC disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

This MD&A has been completed by CNC. Certain corporate projects referred to herein are subject to agreements with third parties who have not prepared, reviewed or approved this MD&A. The MD&A is not intended to reflect the actual plans or exploration and development programs contemplated for such projects.

Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, CNC disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although CNC believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not a guarantee of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

The scientific and technical information contained in this MD&A has been reviewed by Steve Balch, P. Geo, (VP Exploration) and a Qualified Person within the meaning of National Instrument 43-101.

### **Foreign Exchange Assumptions**

All amounts discussed herein are denominated in CAD dollars unless otherwise specified.