

# **FPX NICKEL CORP. (FORMERLY FIRST POINT MINERALS CORP.)**

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

**FORM 51-102F1** for the nine months ended September 30, 2018

This Management's Discussion and Analysis ("**MD&A**") has been prepared as of November 20, 2018 (the "**Report Date**") with reference to National Instrument 51-102 – "*Continuous Disclosure Obligations*" of the Canadian Securities Administrators and contains information up to and including the Report Date. It should be read in conjunction with the condensed consolidated interim financial statements for the nine months ended September 30, 2018 together with the audited consolidated financial statements of FPX Nickel Corp. (formerly First Point Minerals Corp.) ("**FPX Nickel**", or "**the Company**") for the year ended December 31, 2017 and the related notes thereto.

Certain dollar amounts in this MD&A have been rounded for ease of reading. All amounts are expressed in Canadian dollars unless otherwise noted.

The condensed consolidated interim financial statements for the nine months ended September 30, 2018 were prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("**IASB**") on a basis consistent with those followed in the most recent annual consolidated financial statements.

Additional information relating to the Company is available for viewing under the Company's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com).

### **1. Overview**

The Company was incorporated as a junior capital pool company in the province of Alberta on February 2, 1995, and established itself as a mineral exploration company in June 1996. With effect from October 17, 2016, following a voluntary delisting of the Company's shares from the Toronto Stock Exchange ("**TSX**"), the Company's shares are listed on the TSX Venture Exchange ("**TSX-V**"), trading under the symbol "**FPX**". See Note 3(a) to the audited consolidated financial statements for the year ended December 31, 2017 for a list of the Company's subsidiaries. On May 25, 2017, the Company's shareholders approved a special resolution to change the Company's name from First Point Minerals Corp. to FPX Nickel Corp.

FPX Nickel explores primarily for nickel deposits, none of which have been advanced to the point where a production decision can be made. As a consequence, the Company has no producing properties, and no sales or revenues.

The Company's exploration efforts are focused on the exploration and development of properties containing **awaruite**, a **nickel-iron alloy**. The alloy typically contains approximately 75% nickel, is widely disseminated and represents a bulk tonnage target that would potentially be mineable by open pit methods should a mineral reserve be delineated. FPX Nickel holds a 100% interest in five awaruite properties: four in British Columbia, and one in the Yukon Territory. During the nine months ended September 30, 2018, FPX Nickel incurred costs of approximately \$249,000 (2017 - \$608,000) in exploring its nickel properties in Canada. For summaries of exploration expenditures by property and by material component, see Section 2 of this MD&A.

FPX Nickel holds a 100% interest in its flagship Decar Nickel District in British Columbia ("**Decar**" or "**the Project**") as of the Report Date. On November 18, 2015, the Company closed a transaction with affiliated companies of Cliffs Natural Resources Inc. ("**Cliffs**") to purchase Cliffs' 60% ownership of Decar, for an acquisition price of US \$4.75 million ("**the Transaction**"). Completion of the Transaction has resulted in FPX Nickel owning 100% of the Decar district. To finance the Transaction, FPX Nickel entered into an arm's-length loan agreement with an individual shareholder of FPX Nickel ("**the Lender**"), through which the

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Lender lent US \$5.0 million to the Company for a five-year period at a 6.5% headline interest rate. Of this, 1.5% will be paid currently, on a semi-annual basis, and the remaining 5% interest will be accrued and paid at the end of the loan term. In addition, the Lender received a drawdown fee equal to 4% of the loan amount and received a 1% net smelter return (“NSR”) royalty over the Decar district.

On March 22, 2013, the Company announced the positive results of a Preliminary Economic Assessment (“PEA”) for the Baptiste Deposit at the Decar Nickel District. The PEA was prepared by Tetra Tech Inc. (“Tetra Tech”) on behalf of Cliffs. The PEA assumptions and highlights are as follows:

<b>Highlights -</b>	
Pre-tax NPV (8% discount rate)	C\$ 1,125 million
Pre-tax IRR	15.7%
Post-tax NPV (8% discount rate)	C\$ 579 million
Post-tax IRR	12.8%
Cash operating cost	C\$ 3.23/lb nickel
<b>Key Assumptions -</b>	
Throughput	114,000 tonnes per day
Mine life	24 years
Life-of-mine strip ratio	0.17:1
Life-of-mine average annual nickel in concentrate	82.4 million lbs
Concentrate grade *	13.5% Ni
Realized nickel price **	US\$ 7.04/lb
Initial capital expenditure	C\$ 1,384 million
Sustaining capital expenditure	C\$ 763 million
Payback	6.4 years
Statutory tax rate ***	39%
Exchange rate	0.97 US\$ per 1.00 C\$

\* Concentrate includes by-product iron (45% - 50%) and chromium (~2.0%)

\*\* Based on early-stage marketing studies, the PEA assumes that a nickel-iron-chromite concentrate grading 13.5% nickel will realize 75% of the three-year trailing average London Metal Exchange (“LME”) nickel price of US\$9.39 per pound. The PEA assumes no by-product credits are realized for iron or chromium.

\*\*\*Includes Federal income tax at 15%, Provincial income tax at 11%, and the British Columbia Mineral Tax at 13% (applied to adjusted net revenue).

The PEA is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. Furthermore, there is no certainty that the conclusions or results as reported in the PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

On February 26, 2018, the Company announced an updated National Instrument (“NI”) 43-101 mineral resource estimate on the Baptiste Deposit at the Decar Nickel District. The updated estimate includes additional drilling and assays from work completed during 2017 (see news release dated November 20, 2017), with considerable updates and modifications to geologic interpretation, block model wireframes and grade estimation strategy.

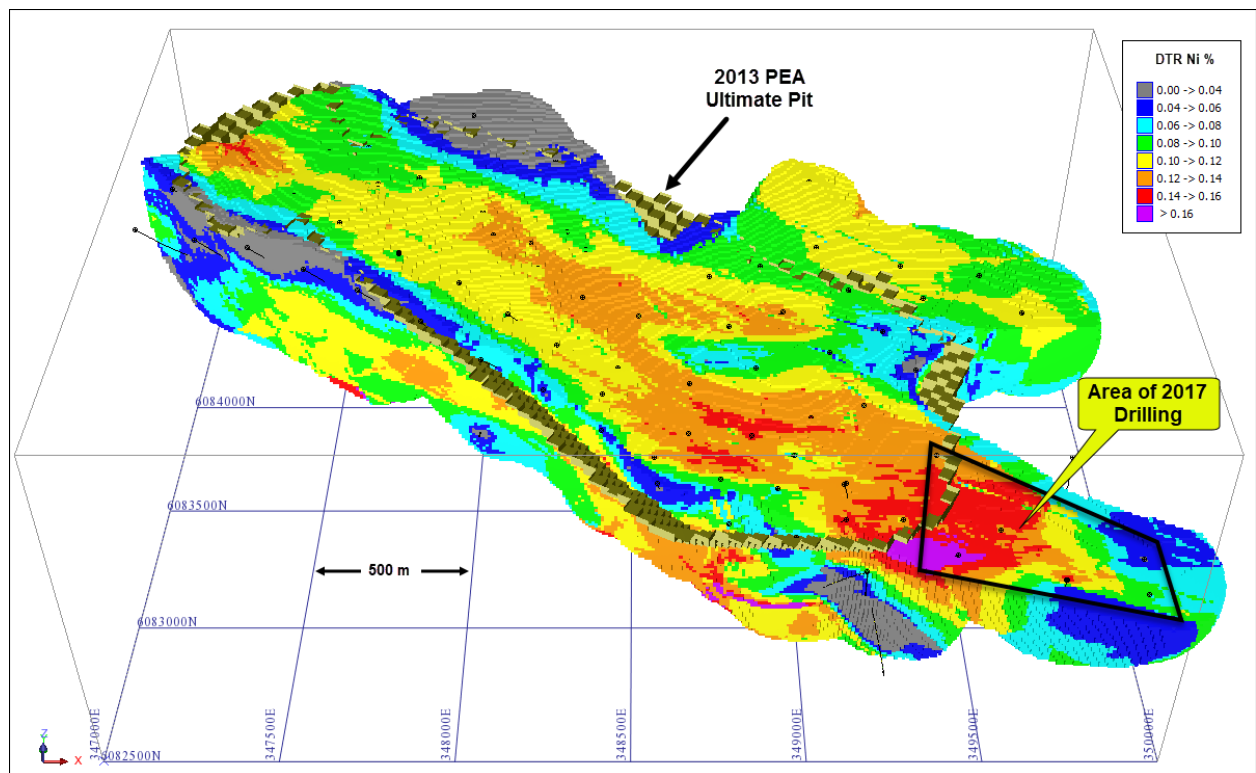
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Table 1: 2018 Baptiste Deposit Pit-Constrained Mineral Resource Estimate (see notes 1-8 on page 10, below)

Category	Tonnes	Davis Tube Recoverable (“DTR”) Nickel Content		
		(% Ni)	(Tonnes Ni)	(Pounds Ni)
<b>Indicated</b>	1,842,645,000	0.123	2,271,000	5,007,133,000
<b>Inferred</b>	390,788,000	0.115	448,000	988,111,000

The updated Baptiste mineral resource estimate incorporates the results of the Company’s successful 2017 drilling program, which confirmed a significant extension of higher-grade, near-surface nickel mineralization to the southeast of the previous resource outline. This resource estimate, which was completed using a modest nickel price assumption of US\$6.00/lb, will be incorporated into the Company’s ongoing internal trade-off studies, which aim to optimize the components of a mine plan for Baptiste.

Figure 1: Map of 2018 Baptiste Mineral Resource Area, 2013 PEA Ultimate Pit Shell and Area of 2017 Drilling



The updated resource model incorporates the results of the 2017 stepout drilling program, demonstrating the potential to improve the development plan for Baptiste by allowing for the incorporation of additional near-surface tonnage to the southeast of the 2013 PEA pit outline.

On March 19, 2018, the Company closed a non-brokered private placement with the issuance of 12,250,000 shares at \$0.12 per share for gross proceeds of \$1,470,000. Finder’s fees of \$33,181 were paid on a portion of the proceeds.

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On September 17, 2018, the Company announce that it has commenced a metallurgical study on the Baptiste Deposit. The objective of this study is to improve upon the results of previous metallurgical test work used as a basis for the 2013 PEA. The current test program has the potential to demonstrate significant increases in estimated nickel recovery and final concentrate quality, using conventional processing technologies. Final results from the metallurgical study are expected to be received in the first quarter of 2019 and will be incorporated into the Company's ongoing internal trade-off studies, which aim to optimize the components of an updated mine plan for the Baptiste Deposit.

**2. Exploration Projects**

*Nickel Projects:*

FPX Nickel's nickel exploration program involves a search for disseminated nickel-iron alloy targets that occur in a very specific geological environment found within ultramafic rocks. Awaruite, the nickel-iron alloy of interest, contains approximately 75% nickel, the rest being iron with occasional minor cobalt and copper. The alloy is strongly magnetic and quite dense, two properties which allow for an efficient physical separation of the awaruite into a nickel-iron concentrate, using a combination of magnetic and gravity separation. There is virtually no sulphur in the alloy, which eliminates a number of environmental issues typically associated with mining and processing nickel sulphide deposits. Furthermore, because of the virtual absence of sulphur, the concentrates produced when recovering the nickel-iron alloy from the mineralized rock do not require conventional smelting. On April 22, 2014, the Company announced the positive results from an initial market test of awaruite concentrates produced from a bulk sample from Decar, a first step in determining the best market for this unique product. A more detailed discussion of the market test results appears later in this section, under the heading "Decar Nickel District, British Columbia".

The following table provides a summary of exploration expenditures on a property-by-property basis for the year ended December 31, 2017.

	<b>Balance, December 31, 2016</b>	<b>Acquisition Costs</b>	<b>Exploration Costs</b>	<b>Recoveries</b>	<b>Costs Written Off</b>	<b>Balance December 31, 2017</b>
<b>Canada</b>						
Decar	\$ 7,351,323	\$ -	\$ 940,678	\$ (243,476)	\$ -	\$ 8,048,525
Wale/Polar	1	-	-	-	-	1
Orca	1	-	-	-	-	1
Klow	1	-	-	-	-	1
Mich	834,282	10,080	-	-	-	844,362
Subtotal, Canada	<u>8,185,608</u>	<u>10,080</u>	<u>940,678</u>	<u>(243,476)</u>	<u>-</u>	<u>8,892,890</u>
<b>Honduras</b>						
Camporo	1	-	-	-	-	1
Subtotal, Honduras	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
<b>Total</b>	<u>\$ 8,185,609</u>	<u>\$ 10,080</u>	<u>\$ 940,678</u>	<u>\$ (243,476)</u>	<u>\$ -</u>	<u>\$ 8,892,891</u>

The following table provides a summary of the material components of exploration expenditures for the year ended December 31, 2017.

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	<b>Decar</b>	<b>Mich</b>	<b>General Exploration</b>	<b>Total</b>
Drilling	\$ 312,049	-	-	312,049
Field Expenses	211,676	-	4,173	215,848
Metallurgical Testing	77,444	-	-	77,444
Assay Testing	59,819	-	-	59,819
Geological and Contract Services	228,041	-	-	228,041
Engineering	51,431	-	-	51,431
Claim Staking	-	10,080	-	10,080
Other	219	-	4,861	5,079
<b>Total</b>	<b>\$ 940,678</b>	<b>\$ 10,080</b>	<b>\$ 9,033</b>	<b>\$ 959,791</b>

The following table provides a summary of exploration expenditures on a property-by-property basis for the nine months ended September 30, 2018.

	<b>Balance, December 31, 2017</b>	<b>Acquisition Costs</b>	<b>Exploration Costs</b>	<b>Recoveries</b>	<b>Costs Written Off</b>	<b>Balance September 30, 2018</b>
<b>Canada</b>						
Decar	\$ 8,048,525	\$ -	\$ 249,204	\$ -	\$ -	\$ 8,297,729
Wale/Polar	1	-	-	-	-	1
Orca	1	-	-	-	-	1
Klow	1	-	-	-	-	1
Mich	844,362	10,080	-	-	-	854,442
<b>Subtotal, Canada</b>	<b>8,892,890</b>	<b>10,080</b>	<b>249,204</b>	<b>-</b>	<b>-</b>	<b>9,152,174</b>
<b>Honduras</b>						
Camporo	1	-	-	(1)	-	-
<b>Subtotal, Honduras</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>\$ 8,892,891</b>	<b>\$ 10,080</b>	<b>\$ 249,204</b>	<b>\$ (1)</b>	<b>\$ -</b>	<b>\$ 9,152,174</b>

The following table provides a summary of the material components of exploration expenditures for the nine months ended September 30, 2018.

	<b>Decar</b>	<b>Mich</b>	<b>General Exploration</b>	<b>Total</b>
Field Expenses	\$ 20,636	\$ -	\$ 745	\$ 21,381
Metallurgical Testing	22,770	-	-	22,770
Assay Testing	5,189	-	-	5,189
Geological and Contract Services	75,884	-	1,700	77,584
Engineering	124,229	-	-	124,229
Claim Staking	-	10,080	-	10,080
Other	496	-	1,965	2,461
<b>Total</b>	<b>\$ 249,204</b>	<b>\$ 10,080</b>	<b>\$ 4,411</b>	<b>\$ 263,694</b>

Decar Nickel District, British Columbia:

FPX Nickel's flagship nickel property is the **Decar Nickel District**, which is 245 square kilometres ("**sq km**") in size, covering part of the Mount Sidney Williams ultramafic complex northwest of Fort St. James in central BC. The property is a two hour drive from Fort St. James on a high-speed logging road (the first 40 minutes of which is a paved road) and the property is within 5 kilometres ("**km**") of a branch line of the Canadian National Railway ("**CNR**"). The

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presence of these infrastructure facilities will be of significant economic benefit if a decision is made to construct an open-pit mining and/or processing facility on this property.

Prior to the Company re-establishing 100% ownership of the Project on November 18, 2015, Decar was under option to Cliffs pursuant to an option agreement (the "**Decar Option Agreement**") entered into in November 2009. Cliffs is a major supplier of iron ore and coking coal to the steel industry and operates several large open pit iron ore mines in the United States and Australia.

Three highly prospective targets, (Sidney, Van and Baptiste) have been identified by the Company at Decar from samples taken at 50 metre to 200 metre intervals, where the alloy was recognized in outcrop and confirmed by assaying. In addition, there are several other targets on the property at an earlier stage of exploration. The nickel-iron alloy is disseminated and relatively uniformly distributed in the rocks. Thus it presents an excellent potential target for bulk-tonnage open-pit mining, using methods and equipment on a scale similar to that employed at the largest porphyry copper mines in production or currently under construction in British Columbia.

Following completion of a metallurgical testwork program in July 2011, a decision was made by Cliffs (who had by then assumed full operatorship of the Project, in accordance with the terms of the Decar Option Agreement) that all drill core would be assayed and the nickel content would be reported as Davis Tube Recoverable, or DTR, nickel. The Davis Tube uses a strong magnetic field to recover the magnetic constituents in a mineralized sample. The determination of the magnetically recoverable nickel grade of a sample involves the recovery of the magnetic fraction of the sample by magnetic separation using a Davis Tube followed by assaying to determine the nickel content of the magnetic fraction. The Davis Tube magnetic separation method recovers the highly magnetic nickel-iron alloy contained in the sample, as well as any other magnetic material, including magnetite, a primary ore mineral in many iron ores. The Davis Tube is the global industry standard geo-metallurgical test for determining magnetic recovery. The assay samples from the 2010 drilling campaign that had been analyzed using the Company's proprietary assay procedure were reanalyzed using the Davis Tube technique in order to maintain the comparability of the information going into the resource database.

Tetra Tech prepared a PEA for the Decar property dated March 22, 2013 on behalf of Cliffs. The PEA was amended and re-filed under the Company's profile on SEDAR on August 16, 2013 as a Technical Report meeting the requirements of National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**").

The results of the PEA demonstrate the positive potential for establishing a greenfield open-pit nickel mine and an on-site magnetic separation and gravity concentration processing plant, using conventional technology and equipment. At a projected throughput rate of 114,000 tonnes per day (or 40 million tonnes per year) over a mine life of 24 years, annual production averages 37,369 tonnes of nickel, or 82.4 million lbs., in concentrate at an on-site operating cash cost of C\$3.23 per pound of nickel.

The PEA provides a preliminary assessment of the nickel-iron alloy's economic potential, based on early-stage marketing studies. The PEA assumes that a nickel-iron-chromite concentrate grading 13.5% nickel will realize 75% of the London Metal Exchange ("LME") nickel price. The study assumes no by-product credits are realized for iron or chromite.

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Based on these first-pass assumptions, the Baptiste deposit, on a 100% basis, generates a pre-tax net present value ("NPV") at an 8% discount rate of C\$1,125 million and an internal rate of return ("IRR") of 15.7%, using an average realized nickel price of US\$7.04 per lb. The nickel price is calculated based on realizing 75% of the three-year trailing average nickel price of US\$9.39 per pound. On a post-tax basis, the Baptiste deposit has a NPV of C\$579 million and a 12.8% IRR.

The process flowsheet and projected nickel recoveries are based on initial laboratory scale metallurgical studies carried out by SGS Canada Inc. and the Knelson Research and Technology Centre in 2011 and 2012 on representative mineralized composites from the Baptiste deposit. At the assumed processing rate, the forecast in situ Ni metal in the concentrate is as follows.

	Nickel
<i>In situ</i> Ni metal in concentrate, LOM	896,865 tonnes (or 1,977,200,000 pounds)
Average Annual <i>in situ</i> Ni metal in concentrate	37,369 tonnes (or 82,385,000 pounds)
Overall Head Grade, LOM*	0.118%
Overall process recovery, LOM	82%

\*Head grade takes into account 8% dilution (zero grade material).

The results of the PEA show Decar has the potential to be a low-cost producer, with operating costs potentially averaging in the lower half of the industry cost curve. The Baptiste deposit benefits significantly from the low strip ratio, relatively moderate terrain, simple conventional processing and close proximity to major infrastructure. A breakdown of the operating cash costs (compiled with an accuracy level of +/- 27.5%) is provided below:

General & Administrative	C\$0.80 per tonne
Mining	C\$2.86 per tonne
Milling	C\$3.25 per tonne
<b>Total operating cash costs</b>	<b>C\$6.91 per tonne or C\$3.23 per lb. Ni produced</b>

Total capital cost estimates (compiled with an accuracy level of +/- 23%) are outlined below.

Initial Direct Costs	C\$ 970 million
Initial Indirect & Owner's Costs	C\$ 197 million
Initial Contingency (20%)	C\$ 217 million
<b>Total Initial Capital Costs</b>	<b>C\$1,384 million</b>
Life-of-Mine Sustaining Capital Costs	C\$ 763 million

The PEA is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. Furthermore, there is no certainty that the conclusions or results as reported in the PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

For further discussion of the PEA results, see the Company's news release dated March 22, 2013.

The Baptiste deposit remains open to the southeast in the higher-grade south-central area and at depth over the entire system, which provides future potential to significantly increase the size of the resource in the future. Further drilling to determine the extent of the higher-grade mineralization in the southeast area is recommended by Caracle Creek International Consulting

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Inc. (“**Caracle Creek**”). Caracle Creek prepared the updated mineral resource estimate for Decar which is discussed in a NI 43-101 compliant Technical Report dated February 27, 2013, a copy of which is filed under FPX Nickel’s profile on the SEDAR website. A 1,900 metre drilling program carried out in August and September 2017 in the southeast area confirmed the presence of higher grade mineralization in this area (see the discussion on page 10 under the heading “2017 Drilling Program”).

The limited amount of exploration drilling elsewhere on the Decar property completed to date also clearly indicates there is substantial potential for additional discoveries. The potential for additional similar nickel-iron alloy mineralization at Decar is illustrated by limited drilling on the Sidney and Target B prospects in 2010 and 2011, respectively. The Sidney target area is located 3 km north of Baptiste on a broad ridge at approximately 600 metres higher elevation. The Sidney target currently measures 500 by 400 metres by surface mapping and is open to the northwest and southeast, where it is covered by overburden. Sidney was drilled with two holes in 2010 that intersected a previously reported 0.129% nickel-in-alloy across 163 metres in the lower half of hole 10SID-09 and 0.143% nickel-in-alloy across 282 metres in hole 10SID-10 (see FPX Nickel’s news release dated October 19, 2010).

Nickel-in-alloy is analyzed using a partial extraction analytical method that selectively dissolves nickel present as nickel-iron alloy and does not extract the nickel present within rock forming silicate materials. Following independent studies, including the development of certified standards to monitor accuracy, this partial extraction method was commercially certified by Dr. Barry Smee of Smee & Associates Consulting Ltd. for the exclusive use of FPX Nickel. This assaying procedure is proprietary to FPX Nickel and provides the Company with a significant advantage in exploring for nickel-iron alloy deposits world-wide.

As previously reported (see FPX Nickel’s news release dated December 16, 2011), Target B, located about 5 km north of Baptiste, was tested with a single exploration hole during the 2011 drilling campaign. Hole 11B-01 cut 258 metres averaging 0.138% DTR nickel.

In October 2013, the Company announced the positive results of preliminary lab scale test work, in which ferronickel was produced using Decar awaruite concentrate and conventional processing technology and parameters. Processing Decar concentrate on a stand-alone basis produced a high-grade ferronickel, ranging from 35% to 52% nickel. The high-grade ferronickel was successfully produced by application of proven and widely-used processes. In addition, Decar concentrates were blended with saprolite ores and processed under conventional kiln-reduction/ferronickel furnace circuit conditions, producing a 17% - 19% nickel product within generally accepted specifications. Taken together, the two process scenario results demonstrated potential amenability of Decar product to processing in existing ferronickel plants. These results represented a key advancement in demonstrating the potential for market acceptance of Decar awaruite concentrate. For further details, see the Company’s news release dated October 10, 2013.

Following on the successful lab-scale ferronickel smelting tests on Decar concentrates, the Company initiated a preliminary market test, in which sample concentrates were prepared from a bulk sample of Decar material, and then provided to six potential offtakers for test processing. In its news release dated April 22, 2014, the Company announced the positive results from this market test. Each of the six potential consumers participating in the test indicated satisfactory technical success in their analysis and test processing of the concentrates, which had never before been presented to potential offtakers for evaluation. Alternative process routes examined included blending as feedstock to ferronickel production and direct feed to stainless steel circuits. The



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majority provided indicative commercial terms for the purchase of such concentrates. All participants expressed interest in continuing discussions around potential long term availability of Decar concentrates on the world market for nickel products.

Key results from the tests, based on written responses from test participants, are as follows:

- All participants achieved generally satisfactory technical results from their analysis and testing of the samples of Decar concentrates provided, and ruled out the presence of deleterious or penalty elements that would render the product technically unacceptable.
- Test processing and analyses indicated amenability of Decar concentrates to treatment in a variety of conventional processing configurations: (i) as blending material in the kiln stage of a rotary kiln/electric arc furnace configuration ("RK/EF") in which the rotary kiln is operating under reducing conditions to produce a calcined product containing the nickel. The calcine and other constituents are then fed into an electric arc furnace in which smelting occurs, resulting in the production of ferronickel; (ii) as post-kiln feed directly to an electric furnace (thus bypassing the kiln reduction stage); and (iii) as direct feed to stainless steel production. Direct feed to stainless steel circuits was achieved by agglomeration with a reducing agent, a preparation stage that may enhance performance in ferronickel processes as well. Very high rates of metallization (i.e. recovery of the nickel in the concentrate in the target product, ferronickel or stainless steel metal) and accountability were noted across the various processes assessed, ranging from 85% to more than 97%.
- Commercial feedback indicates the potential to achieve payability for nickel in awaruite concentrates in the range of 85% to more than 95% of the LME nickel price, depending on end use and prevailing nickel price, with no credits for iron or chromite. By comparison, the PEA of the Baptiste deposit was based on a revenue assumption of 75% of LME payable for nickel in concentrates, with no credits for other elements.

It should be noted that both technical results and commercial indications are preliminary and subject to confirmation following further testing and analysis, including larger scale, more continuous processing runs. For further details, see the Company's news release dated April 22, 2014.

FPX Nickel is actively engaged in the community with all stakeholders to provide social and economic benefits from responsible mineral exploration and mining in a way that also safeguards the health of people and the local environment. A Memorandum of Understanding regarding exploration activities at the Decar Nickel District was signed in May 2012 with the TI'atz'en First Nation, which formalizes protocols for continuing the working relationship between FPX Nickel and the TI'atz'en and its constituent Keyoh families. During the exploration phase, the focus has been on local training, in partnership with the College of New Caledonia in Fort St. James, to maximize future employment opportunities.

From November 2009 to November 2015, Cliffs spent approximately US\$22 million to earn its 60% interest in the Decar district. On November 18, 2015, the Company closed a transaction with affiliated companies of Cliffs to purchase Cliffs' 60% ownership of the Decar district, for an acquisition price of US \$4.75 million. Completion of the Transaction has resulted in FPX Nickel owning 100% of the Decar district. To finance the Transaction, FPX Nickel entered into an arm's-length loan agreement on September 4, 2015 with an individual shareholder of FPX Nickel, through which the Lender lent US \$5.0 million to the Company for a five-year period at a 6.5% headline interest rate. Of this, 1.5% will be paid currently, on a semi-annual basis, and the

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remaining 5% interest will be accrued and paid at the end of the loan term. In addition, the Lender received a drawdown fee equal to 4% of the loan amount and received a 1% NSR royalty over the Decar district.

2017 Drilling Program

The focus of the 2017 drilling campaign was to test the potential to add higher-grade resources immediately to the southeast of the existing Baptiste deposit, where adjacent holes drilled during the final phase of the 2012 campaign returned the highest-grading drill intercepts on the property.

The results of the 2017 drilling program confirm the higher grade extension of the Baptiste deposit at the Decar district. Previous drilling completed from 2010 to 2012 defined mineralization along a 2.5 kilometre strike length. This year’s drilling expands the footprint of mineralization 700 metres southeast along strike. Results of the 2017 program were reported in the Company’s news releases dated October 18 and November 15, 2017. Highlights of the drilling included:

- Hole 67 intersected 96 metres grading 0.167% Davis Tube magnetically-recovered (“DTR”) nickel, starting at an approximate vertical depth of 42 metres below surface, representing the second-highest grading, near-surface interval ever intersected at Decar
- Hole 63 intersected 104 metres grading 0.163% DTR nickel, after passing through overburden to an approximate vertical depth of 66 metres below surface, representing the third highest-grading, near-surface interval ever intersected at Decar

These results support the potential to considerably improve the nickel production profile in the early years of mining operations on the Baptiste deposit in an updated PEA by allowing for the incorporation of near-surface tonnage with grades significantly higher than the material modeled in the early years of the 2013 PEA. The undiluted head grade in the first five years of the 2013 PEA mine plan ranged from 0.105% to 0.116% DTR nickel, assuming a cutoff grade of 0.06%

2018 Resource Estimate

On February 26, 2018, the Company announced an updated NI 43-101 mineral resource estimate on the Baptiste Deposit. The updated estimate includes additional drilling and assays from work completed during 2017, with considerable updates and modifications to geologic interpretation, block model wireframes and grade estimation strategy.

Table 2: 2018 Baptiste Deposit Pit-Constrained Mineral Resource Estimate (see notes 1-8 below)

Category	Tonnes	Davis Tube Recoverable (“DTR”) Nickel Content		
		(% Ni)	(Tonnes Ni)	(Pounds Ni)
<b>Indicated</b>	1,842,645,000	0.123	2,271,000	5,007,133,000
<b>Inferred</b>	390,788,000	0.115	448,000	988,111,000

1. The 2018 mineral resource estimate was prepared by GeoSim Services Inc. (“GeoSim”) using composited drill hole assay data and a geological model produced by Equity Exploration Consultants (“Equity”).
2. The effective date of the 2018 mineral resource estimate is February 26, 2018.
3. The 2018 mineral resource estimate is reported in compliance with current Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”) standards, definitions and guidelines.

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4. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability but are required to have reasonable prospects for eventual economic extraction.
5. Mineral resources are reported in relation to a conceptual pit shell, at a cut-off grade of 0.06% DTR nickel inside a resource shell based on an exchange rate of C\$1 = US\$0.80 and a nickel price of US\$6.00/lb. The cut-off grade represents an in-situ metal value of approximately US\$7.00/tonne which is believed to provide a reasonable margin over operating and sustaining costs for open-pit mining and processing.
6. Block size used was 10x10x10 metres. A total of 978 specific gravity ("SG") measurements were used to assign median bulk density values to the separate lithologic domains. DTR Ni grades were interpolated using ordinary kriging in three passes.
7. The mineralized serpentinized peridotite host rocks at Baptiste are cut by 34 steeply-dipping, non-mineralized dikes, which in total comprise approximately 3% of the rock mass in the classified resource blocks. These dikes are all greater than 5 metres thick and were identified as rock units that could be selectively mined as waste; these rock units were subtracted from the mineralized domain in order to eliminate the zero-grade assays. Dikes less than 5 metres thick were identified as rock units that are internally dilutive and account for approximately 1% of the rock mass in the classified resource blocks.
8. Tonnes and pounds have been rounded to the nearest 10,000 and grade has been rounded to three significant digits.

The 2018 resource estimate, which was completed using a modest nickel price assumption of US\$6.00/lb, will be incorporated into the Company's ongoing internal trade-off studies, which aim to optimize the components of a mine plan for Baptiste. The Company filed the NI 43-101 Technical Report describing the details of the 2018 mineral resource estimate on SEDAR on April 11, 2018.

#### 2018 Metallurgical Study

On September 17, 2018, the Company announced that it has commenced a metallurgical study on the Baptiste Deposit. The objective of this study is to improve upon the results of previous metallurgical test work used as a basis for the 2013 PEA. The current test program has the potential to demonstrate significant increases in estimated nickel recovery and final concentrate quality, using conventional processing technologies.

The test work is being completed on a representative mineralized composite weighing approximately 400 kilograms comprised of core sample reject material from four drill holes completed in 2012 and 2017 in the southeastern portion of the Baptiste Deposit.

The metallurgical study will consist of two phases of testing. Phase 1 includes detailed chemical analysis and mineralogical evaluation of the composite sample to quantify nickel mineral occurrence data. Approximately 75 percent of the contained nickel in the Baptiste Deposit occurs as awaruite. The deposit also contains significant magnetite (iron oxide), which is expected to be recovered concurrently with the awaruite. Detailed magnetic separation test work is being conducted to optimize the primary grind particle size distributions used in the rougher magnetic separation stages, as well as optimizing re-grind particle size distributions used in a cleaning stage of magnetic separation.

Phase 2 will involve evaluative tests to investigate the separation of awaruite from magnetite using magnetic concentrates produced in Phase 1. This phase of testing will include industry-standard technologies such as gravity, flotation, or other processes to produce a final nickel concentrate.

Final results from the metallurgical study are expected to be received in the first quarter of 2019 and will be incorporated into the Company's ongoing internal trade-off studies, which aim to optimize the components of an updated mine plan for the Baptiste Deposit.

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Van Target

On January 15, 2018, the Company announced new assay results of bedrock samples from the Van Target at the Decar Nickel District. These results demonstrate that the surface expression of the Van target is larger in area and similar in DTR nickel values to the PEA-stage Baptiste nickel deposit. The drill-ready Van Target is located 6 kilometres north of Baptiste at similar elevations, and is accessible via logging roads.

DTR nickel analysis of 54 bedrock samples, taken at intervals of 50 to 350 meters at the Van Target, has defined an area of approximately 2.9 square kilometers. This compares very favorably with the area defined by initial surface outcrop sampling undertaken at Baptiste in 2009, which identified a target measuring approximately 2 square kilometers.

A summary of the DTR nickel assays from the 54 bedrock samples within the target area at Van is shown in the table below. As elsewhere on the Decar property, the mineralization is coincident with the sheared peridotite while numerous samples from the massive peridotite are very largely unmineralized or low grade. These results are notable for the high proportion of samples grading over 0.06% DTR nickel, the cut-off grade employed in the NI 43-101 resource estimate for the Baptiste deposit. In particular, 10 samples returned grades over 0.14% DTR nickel, representing some of the highest-grading surface samples encountered to-date from any target at the Decar District.

Results of Bedrock Samples in Van Target Area

<b>DTR Ni (%)</b>	<b>Number of samples</b>
< 0.06	10
> 0.06 to 0.08	10
> 0.08 to 0.10	6
> 0.10 to 0.12	7
> 0.12 to 0.14	11
> 0.14 to 0.16	8
> 0.16	2
<b>Total</b>	<b>54</b>

Field mapping at the time of sample collection indicated that the mineralized area at Van occupies generally recessive areas commonly covered by glacial till which has the potential to cover strong mineralization. The target area coincides with a high total magnetic signature based on airborne magnetic geophysical data.

Other North American Nickel Projects:

In the Yukon, the **Mich** property is located 50 km southeast of Whitehorse and covers an area 11.5 sq km in size. The property lies 15 km off the Alaska Highway and is accessible by an all terrain vehicle trail. The Company staked the Mich property after discovering a large anomalous zone of disseminated awaruite mineralization based on a first pass of wide-spaced reconnaissance sampling during the summer 2011 regional exploration program. The Mich claims cover 1,932 hectares and are underlain by serpentinized ultramafic rocks of the Cache Creek Terrane, the same belt of rocks that host the awaruite mineralization at the Orca, Wale and Decar properties in B.C.

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On November 13, 2014, the Company announced the results of its first diamond drilling campaign at Mich, which tested the central portion of the key target area with two angled holes drilled at minus 50 degrees in opposite directions from the same set-up, for a total of 873 metres of drilling. Results include 156 metres averaging a grade of 0.096% DTR nickel from 3.0 to 159.1 metres in hole 1, and the entire 453.6-metre length of hole 2 averaging 0.087% DTR nickel from 2.7 to 456.3 metres. The results from this first drill program at Mich provide encouraging confirmation of the project's potential to host a significant nickel-iron alloy mineralized system. The drilling intersected a disseminated nickel-iron alloy mineralized zone hosted in ultramafic rocks. Using a cut-off grade of 0.06% DTR nickel, the zone measures 345 metres vertically from surface, is an estimated 463 metres wide on the drill section and remains open to the northeast, beyond the end of the second drill hole, which bottomed in 32.2 metres of 0.123% DTR nickel.

Geological mapping and rock sampling have defined a 2-kilometre-long, northwest-southeast trending zone of disseminated awaruite mineralization marked by a number of strong rock anomalies grading better than 0.08% DTR nickel. The key target is located on the southeastern end of a low ridge and measures 540 metres long and 290 to 570 metres wide. It remains open to the southeast towards the valley floor where overburden covers the bedrock. DTR nickel values for 75 surface rock samples collected in 2012 and 2013 from the key target range from 0.046% to 0.143%. The revised horizontal dimension of 463 metres compares favourably to the earlier estimate of 290 metres, which was based upon surface rock samples collected along the drill section.

The key target area coincides with a moderate ground magnetic geophysical response, which lies on the shoulder of a well-defined, ground magnetic high response, measuring 5.5 kilometres long. This magnetic high feature extends along strike 3.5 kilometres to the southeast of the key target into overburden covered areas. The overburden is estimated to be less than 25 meters thick. The magnetic signature also extends the width of the key target area a further 675 metres to the northeast beyond the end of hole 2; this area represents a future priority drill target.

The **Orca** and **Wale** properties are located 45 km east of Dease Lake (situated on BC Highway 37 between Stewart and Cassiar) and together cover an area of 157 sq km in the Stikine Range of northern British Columbia. These neighbouring properties encompass a 30-km-long belt of serpentized ultramafic rocks containing broad zones of disseminated awaruite mineralization. Access to the properties is by helicopter, directly from Dease Lake, and by a rough mining road and trails using all-wheel drive, heavy duty utility vehicles, which service the nearby jade and placer gold mining operations active in the area.

The Orca property was staked in November 2011 based on anomalous sample results generated from regional exploration work. Detailed mapping and sampling in 2012 outlined a promising nickel-iron alloy target along the top and northern flank of a northwest-southeast trending ridge. Disseminated fine-to-coarse grained awaruite mineralization begins on the flank at an elevation of 1,300 metres and extends more than 700 metres vertically to the summit, which reaches 2,020 metres in elevation.

The target at Orca measures 1,350 metres long and 300 to 800 metres wide as defined by 53 surface rock samples taken in 2012 and 2013 that returned DTR nickel values ranging from 0.056% to 0.156%.

A ground-based magnetic geophysical survey consisting of an additional 36 line km was completed at Orca in 2013. At 200 metre spacing, the magnetometer survey was designed to

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infill previous wide-spaced geophysical work and to extend the 2012 survey grid another 2 km to the southeast to test covered area.

Results show a 4.8 km long corridor of magnetic high features that extends both northwest and southeast of the Orca target where overburden masks the bedrock. Exploration work in the coming months will involve thin section petrographic work on the surface rock samples and interpretation of all the data, particularly structural data, to gain a better understanding of the grade distribution in the Orca target.

The 2013 field program at Wale targeted the coarser-grained mineralized areas of the Eagle and Garth's Knob targets with detailed mapping, sampling and ground-based magnetic surveys. Work completed to date has identified zones of fine-grained disseminated awaruite mineralization, which is a key factor in the erratic grade distribution that has been observed in these targets.

At the **Klow property**, nickel-iron alloy mineralization was first discovered by the Company's exploration crews during 2010. The property totals 52 sq km in size and is located 120 km northwest of Fort St. James, 55 km north of the Decar district. An all-season public road runs along the eastern margin of the property, linking the town of Fort St. James to the village of Takla Landing. A CNR branch line is located about 12 km west of the Klow property boundary.

Mineralization consists of a central coarse-grained nickel-iron alloy target that is enveloped by a halo of finer-grained mineralization to the north and south. The coarse-grained target measures 1,000 metres long in a north-south direction and is inferred to be between 300 and 550 metres wide. It remains open to the east where overburden masks the potential of the mineralized bedrock. It carries nickel-iron alloy grains ranging from 100 microns (or 0.1 mm) to greater than 400 microns (0.4 mm) in size. Nickel-in-alloy values range up to 0.13%.

Work on the Klow property in 2012 included a ground-based 28 line km magnetic geophysical survey, along with further mapping and sampling, and a helicopter-supported diamond drilling program to test the mineralization. Five holes totalling 1,579 metres tested a 530 metre long portion of the main target area. The drilling suggests the nickel-iron alloy mineralization is increasing in grade proceeding to the north. The northernmost hole, DH-4, is the best of the five holes, intersecting 316 metres averaging 0.1% nickel-in-alloy from beneath 10 metres of overburden to 326 metres down-hole, ending in mineralization. For a summary of the drill results, see FPX Nickel's news release dated October 4, 2012.

As FPX Nickel has no plans at this time to perform significant work on the Wale, Orca and Klow properties, the Company has written those properties down to a nominal value of \$1.00 per property. The underlying mineral claims for the Wale, Orca, and Klow properties remain in good standing. Plans for FPX Nickel's mineral properties are continually reviewed as part of the Company's ongoing strategic process.

Investors are cautioned that each of the Company's exploration targets is an early-stage exploration prospect, conceptual in nature, defined by surface rock sampling and ground-based geophysical surveys. With the exception of the Decar Property, there has been insufficient exploration to define a mineral resource on any of the Company's other exploration properties and it is uncertain if further exploration will result in any target being delineated as a mineral resource.

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All technical information included in this MD&A was prepared under the supervision of the Company’s Chairman, Dr. Peter Bradshaw, P. Eng., a qualified person consistent with NI 43-101.

**3. Results of Operations**

*For the nine months ended September 30, 2018*

The Company recorded a net loss of \$1,189,775 (2017 – \$620,421) during the nine months ended September 30, 2018. The comprehensive loss for the period was \$1,198,037 (2017 – \$635,094).

The following table provides a summary of general and administrative expenses for the nine months ended September 30, 2018 and 2017.

	<b>2018</b>	<b>2017</b>
Accounting, legal and audit	\$ 6,608	\$ 7,222
Communications	21,069	24,638
Insurance	9,528	8,814
Interest expense	316,064	314,143
Management fees	168,510	163,717
Office and administration	14,981	19,880
Rent	25,090	19,106
Share-based compensation	420,729	278,800
Travel and promotion	42,465	32,429
Trust and filing fees	28,326	25,821
<b>Total General &amp; Administrative</b>	<b>1,053,370</b>	<b>894,570</b>
General exploration	4,411	7,535
Other expenses (income)	135,487	(316,961)
<b>Total Expenses (Income)</b>	<b>\$ 1,193,268</b>	<b>\$ 585,144</b>

Net loss before other items during the nine months ended September 30, 2018 was \$1,193,268 (2017 – \$585,144), with the year-over-year change largely attributable to a \$141,929 increase in share-based compensation and a \$452,448 increase in foreign exchange loss. Most other categories of expense were relatively unchanged, reflecting a level of overall corporate activity consistent with the prior year.

**4. Summary of Quarterly Results**

The following table summarizes information derived from the Company’s financial statements for each of the eight most recently completed quarters.

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<b>Quarter Ended:</b>	<b>Sep.</b>	<b>Jun.</b>	<b>Mar.</b>	<b>Dec.</b>	<b>Sep.</b>	<b>Jun.</b>	<b>Mar.</b>	<b>Dec.</b>
<b>Year:</b>	<b>30</b>	<b>30</b>	<b>31</b>	<b>31</b>	<b>30</b>	<b>30</b>	<b>31</b>	<b>31</b>
	<b>2018</b>	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>
Net sales or total revenue (\$000s)	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Income (loss) from continuing operations:								
(i) in total (000s)	\$(119)	\$(307)	\$(764)	\$(13)	\$(54)	\$(123)	\$(443)	\$(364)
(ii) per share <sup>(1)</sup>	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Net income (loss):								
(i) in total (000s)	\$(119)	\$(307)	\$(764)	\$(13)	\$(54)	\$(123)	\$(443)	\$(364)
(ii) per share <sup>(1)</sup>	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

<sup>(1)</sup> Fully diluted loss per share amounts have not been calculated as they would be anti-dilutive.

Quarterly results can vary significantly depending on whether the Company realized a gain or loss on sale of its investments, abandoned any properties, incurred exploration expenditures funded by flow through monies, or granted stock options in a particular quarter. See “Results of Operations”.

## **5. Liquidity and Capital Resources**

The Company manages its cash, cash equivalents and common shares as capital. The Company’s objectives in managing its capital are to:

- Maintain sufficient cash and cash equivalents to last a minimum of one year;
- Have the flexibility to achieve its on-going business objectives, including but not limited to funding work programs on its exploration and evaluation assets and pursuing new business opportunities as they arise, and
- Minimize dilution to existing shareholders.

The Directors have not specified a quantitative return on capital criteria for management, but rather rely on the expertise of management to sustain future development of the business.

The Company’s exploration and evaluation assets are in the development stage and the Company does not generate a positive cash flow. As a consequence, the Company relies on accessing the capital markets to obtain the funds needed to carry on its business. It is the Company’s intention to utilize its existing working capital and to raise additional funds as needed. The additional funds will be raised primarily through the issuance of its securities in private placements.

### *Cash and Financial Conditions*

The Company’s cash position was \$1,334,705 at September 30, 2018 (December 31, 2017 - \$560,136) while its working capital was \$1,504,859 (December 31, 2017 - \$649,552).

### *Financing Activities*

During the nine months ended September 30, 2018, the Company received \$1,470,000 (2017 – \$1,536,600) from a private placement. Cash share issue costs associated with these private placements amounted to \$45,177 (2017 - \$22,952). This included legal and regulatory fees and



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payments to finders, which included cash commissions of \$33,181 (2017 - \$10,800). During the nine months ended September 30, 2018, the Company received \$97,020 (2017 - \$119,371) from the sale of marketable securities.

*Investing Activities*

During the nine months ended September 30, 2018, the Company incurred acquisition and deferred exploration cash costs of \$253,956 (2017 - \$596,425) on its exploration and evaluation assets.

*Outlook*

The Company's working capital position at September 30, 2018 was \$1,504,859. At that date, the Company also held marketable securities with a fair value of \$62,756, which amount is not included in working capital.

It is anticipated that the Company will have sufficient working capital to fund its anticipated 2018 activities, currently budgeted at approximately \$1,250,000. Nevertheless, if an opportunity arises that would allow FPX Nickel to raise additional equity on reasonable terms, the Company would be prepared to complete a financing. It will also consider entering into joint venture arrangements with third parties to advance the exploration and evaluation of one or more of its 100% owned nickel properties.

*Outstanding share data as at the Report Date*

As of the Report Date, the Company has 146,020,339 common shares outstanding (157,195,339 shares fully diluted). There are 11,175,000 stock options outstanding under the Company's incentive stock option plan. The stock options are exercisable at prices ranging from \$0.10 to \$0.15 per share, with expiry dates ranging to March 22, 2023. If the Company were to issue the 11,175,000 shares issuable upon exercise of all incentive stock options outstanding, it would receive \$1,516,250.

**6. Transactions with related parties**

At September 30, 2018, liabilities included \$22,371 (December 31, 2017 - \$16,018) due to related parties. Amounts due to related parties are unsecured and non-interest bearing.

During the nine months ended September 30, 2018, the Company entered into the following related party transactions:

- paid or accrued \$112,500 (2017 - \$100,000) in fees to Martin Turenne Consulting Ltd., a private company controlled by Martin Turenne, the Company's President and Chief Executive Officer, for management and administrative services.
- paid or accrued \$44,065 (2017 - \$36,675) in fees to Adera Company Management Inc., a private company controlled by J. Christopher Mitchell, the Company's Chief Financial Officer and Corporate Secretary, for management and administrative services.

The amounts charged to the Company for the services provided have been determined by negotiations between the parties and are covered by a signed agreement. These services were in

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the normal course of operations and management believes that they were incurred on a basis consistent with comparable transactions between other non-related parties.

The Company considers its Officers to be key management personnel. Amounts paid to the key management personnel during the nine months ended September 30, 2018 and 2017 are shown in the following table:

	2018	2017
Salaries or fees	\$ 156,565	\$ 136,675
Share-based payments	232,470	109,010
<b>Total key management personnel</b>	<b>\$ 389,035</b>	<b>\$ 245,685</b>

**7. Standards, Amendments and Interpretations not yet effective**

The Company has not applied the following revised or new IFRS that have been issued but were not yet effective at September 30, 2018. These accounting standards are not expected to have a significant effect on the Company's accounting policies or financial statements:

- IFRS 16, Leases: Under IFRS 16, virtually all leases are required to be accounted for as finance leases rather than operating leases, where the required lease payments are disclosed as a commitment in the notes to the financial statements. As a result, the Company will be required to recognize leased assets ("right-of-use" assets) and the related lease liability on the statement of financial position.

**8. Risk Factors Relating to the Company's Business**

As a company active in the mineral resource exploration and development industry, FPX Nickel is exposed to a number of risks.

*Exploration Stage Operations*

The Company's operations are subject to all of the risks normally incident to the exploration for and the development and operation of mineral properties. The Company has implemented comprehensive safety and environmental protection measures designed to comply with government regulations and ensure safe, reliable and efficient operations in all phases of its operations. The Company maintains liability and property insurance, where reasonably available, in such amounts it considers prudent. The Company may become subject to liability for hazards against which it cannot insure or which it may elect not to insure against because of high premium costs or other reasons.

All of the Company's properties are still in the exploration stage. Mineral exploration and exploitation involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to avoid. The minerals business is characterized by long lead times from discovery to development, and few exploration projects successfully make the transition to development.

Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labour are some of the risks involved in mineral exploration and exploitation activities. Substantial expenditures are required to establish mineral reserves and resources through drilling, to develop metallurgical processes to extract the metal

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from the material processed and to develop the mining and processing facilities and infrastructure at any site chosen for mining.

There is no assurance that commercial quantities of ore will be discovered. Even if commercial quantities of ore are discovered, there is no assurance that the properties will be brought into commercial production or that the funds required to exploit mineral reserves and resources discovered by the Company will be obtained on a timely basis or at all. The commercial viability of a mineral deposit once discovered is also dependent on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, as well as metal prices. Most of the above factors are beyond the control of the Company.

There can be no assurance that the Company's mineral exploration activities will be successful. In the event that such commercial viability is never attained, the Company may seek to transfer its property interests or otherwise realize value or may even be required to abandon its business and fail as a "going concern".

*Competition*

The mining industry is intensely competitive in all of its phases, and the Company competes with other companies with greater technical and financing resources than itself with respect to acquisition of properties of merit, and the recruitment and retention of qualified individuals to carry out its mineral exploration activities. Competition in the mining industry could adversely affect the Company's prospects for mineral exploration in the future.

*Financial Markets*

The Company is dependent on the equity markets as its primary source of operating working capital and the Company's capital resources are largely determined by the strength of the junior resource markets, by the status of the Company's projects in relation to these markets, and by the Company's ability to attract investor support for its projects.

There is no assurance that funding will be accessible to FPX Nickel at the times and in the amounts required to fund the Company's activities, as there are many circumstances that are beyond the control of FPX Nickel. For example, the Company is dependent on investor sentiment being positive towards the minerals exploration business in general and FPX Nickel in particular. Many factors influence investor sentiment, including a positive climate for mineral exploration, the experience and caliber of a company's management and a company's track record in discovering or acquiring economically viable mineral deposits.

*Environmental and Government Regulation*

Mining and exploration activities are subject to various laws and regulations relating to the protection of the environment, historical and archaeological sites and endangered and protected species of plants and animals. Although the exploration activities of the Company 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 or development activities. Amendments to current laws and regulations governing the activities of the Company, or more stringent implementation thereof, could have a substantial adverse impact on the Company.

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*Title to Properties, First Nations Issues*

While the Company has investigated the title to all of the properties on which it holds mineral claims or other forms of mineral rights or concessions or in respect of which it has a right to earn an interest, the Company cannot guarantee that title to such properties will not be challenged or impugned. The Company can never be certain that it will have valid title to its mineral properties. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify, and transfers under foreign law are often complex. The Company does not carry title insurance on its properties. A successful claim that the Company or its option partner does not have title to a property could cause the Company to lose its rights to that property, perhaps without compensation for its prior expenditures relating to the property.

Negotiations with First Nations' groups can add an additional layer of risk and uncertainty to efforts to explore and develop mineral deposits in many areas of Canada. This is particularly true in British Columbia, where protracted negotiations of land claims have resulted in settlement of only a fraction of the claims. The slow pace of resolving these claims is frustrating to both the First Nations peoples and explorers and could result in actions that would hinder timely execution of exploration programs.

*Foreign Currency*

The Company' loan payable and a portion of the Company's expenses are denominated in foreign currencies. Fluctuations in the exchange rate between the Canadian dollar and such other currencies may have a material effect on our business, financial condition and results of operations. The Company does not hedge against foreign currency fluctuations.

*Inflation*

In the recent past, while inflation had not been a significant factor, the ongoing efforts of many governments to improve the availability of credit and stimulate domestic economic growth while incurring substantial deficits may result in substantial inflation and/or currency depreciation in the future.

**Forward-Looking Statements**

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of the British Columbia Securities Act, the Alberta Securities Act and the Ontario Securities Act. This includes statements concerning the Company's plans at its mineral properties, which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Forward-looking information is subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking information, including, without limitation, the ability of the Company to continue to be able to access the capital markets for the funding necessary to acquire and maintain exploration properties and to carry out its desired exploration programs; inability to fund the Company's share of costs incurred under joint venture agreements to which it is a party, and reduction or elimination of its joint venture interest as a result; competition within the minerals industry to acquire properties of merit, and competition from other companies possessing greater technical and financial resources; difficulties in executing exploration programs on the Company's proposed schedules and within its cost estimates, whether due to

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**MANAGEMENT'S DISCUSSION & ANALYSIS**

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weather conditions in the areas where it operates, increasingly stringent environmental regulations and other permitting restrictions, or other factors related to exploring of its properties, such as the availability of essential supplies and services; factors beyond the capacity of the Company to anticipate and control, such as the marketability of mineral products produced from the Company's properties, government regulations relating to health, safety and the environment, and the scale and scope of royalties and taxes on production; the availability of experienced contractors and professional staff to perform work in a competitive environment and the resulting adverse impact on costs and performance and other risks and uncertainties, including those described in each management's discussion and analysis of financial condition and results of operations. In addition, forward-looking information is based on various assumptions including, without limitation, assumptions associated with exploration results and costs and the availability of materials and skilled labour. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking information. Except as required under applicable securities legislation, the Company undertakes no obligation to publicly update or revise forward-looking information, whether as a result of new information, future events or otherwise.