

FPX NICKEL CORP.

Condensed Consolidated Interim Financial Statements

March 31, 2019 & 2018

(Unaudited)

(Stated in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of FPX Nickel Corp. (the “Company”) have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

FPX NICKEL CORP.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited)
(Stated in Canadian Dollars)

	Mar. 31 2019	Dec. 31 2018
	\$	\$
ASSETS		
Current		
Cash and cash equivalents (note 3)	1,170,212	1,449,593
Amounts receivable (note 4)	52,842	43,291
Prepaid expenses (note 5)	24,553	25,273
Total Current Assets	<u>1,247,607</u>	<u>1,518,157</u>
Reclamation deposits (note 6)	117,474	117,474
Marketable securities (note 7)	54,389	55,783
Exploration and evaluation assets (note 8)	9,246,878	9,162,131
Total Assets	<u><u>10,666,348</u></u>	<u><u>10,853,545</u></u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 9)	59,202	55,675
Interest payable (note 10)	100,227	102,319
Total Current Liabilities	<u>159,429</u>	<u>157,994</u>
Loan payable (note 10)	7,852,884	7,884,328
Total Liabilities	<u>8,012,313</u>	<u>8,042,322</u>
EQUITY		
Share capital (note 11)	32,147,922	32,147,922
Other equity reserve (note 11)	6,480,016	6,045,124
Deficit	(35,931,315)	(35,340,630)
Accumulated other comprehensive loss	(42,588)	(41,193)
Total Shareholders' Equity	<u>2,654,035</u>	<u>2,811,223</u>
Total Liabilities and Shareholders' Equity	<u><u>10,666,348</u></u>	<u><u>10,853,545</u></u>
Nature and continuance of operations (note 1)		
Commitments (note 14)		

Approved and authorized by the Board of Directors:

/s/ Peter M. D. Bradshaw

Peter M.D. Bradshaw, Director

/s/ James S. Gilbert

James S. Gilbert, Director

See notes to the condensed consolidated interim financial statements

FPX NICKEL CORP.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
For the Three Months Ended March 31
(Unaudited)
(Stated in Canadian dollars)

	2019	2018
EXPENSES	\$	\$
Accounting, legal and audit	4,535	817
Communications	3,983	19,543
Foreign exchange loss (gain)	(89,611)	118,470
General exploration	693	1,345
Insurance	3,173	3,173
Interest expense (note 10)	107,092	103,323
Management fees	80,754	65,002
Office and administration	6,816	6,906
Rent	7,828	9,327
Share-based compensation (note 11)	434,892	420,729
Travel and promotion	22,512	5,018
Trust and filing fees	12,630	11,869
	(595,297)	(765,522)
Income (loss) before other items		
OTHER ITEMS		
Interest income	4,612	1,243
	4,612	1,243
Net income (loss) for the period	(590,685)	(764,279)
Other comprehensive loss		
Items that may be reclassified to income:		
Unrealized loss on marketable securities	(1,395)	-
	(592,080)	(764,279)
Comprehensive income (loss) for the period		
Basic and diluted loss per share (note 12)	(\$0.00)	(\$0.01)
Weighted average number of common shares outstanding	146,020,339	135,812,006

See notes to the condensed consolidated interim financial statements

FPX NICKEL CORP.
Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited)
(Stated in Canadian Dollars)

	Share Capital		Other Equity Reserve \$	Deficit \$	Accumulated Other Comprehensive Loss \$	Total \$
	Number of Shares #	Amount \$				
Balance, December 31, 2017	133,770,339	30,723,099	5,624,395	(33,428,582)	(50,749)	2,868,163
Private placement	12,250,000	1,470,000	-	-	-	1,470,000
Share issue costs	-	(45,177)	-	-	-	(45,177)
Share-based compensation	-	-	420,729	-	-	420,729
Loss for the period	-	-	-	(764,279)	-	(764,279)
Other comprehensive loss	-	-	-	-	-	-
Balance, March 31, 2018	146,020,339	32,147,922	6,045,124	(34,192,861)	(50,749)	3,949,436
Adjustment on sale of marketable securities	-	-	-	-	24,791	24,791
Loss for the period	-	-	-	(1,147,769)	-	(1,147,769)
Other comprehensive loss	-	-	-	-	(15,235)	(15,235)
Balance, December 31, 2018	146,020,339	32,147,922	6,045,124	(35,340,630)	(41,193)	2,811,223
Share-based compensation	-	-	434,892	-	-	434,892
Loss for the period	-	-	-	(590,685)	-	(590,685)
Other comprehensive loss	-	-	-	-	(1,395)	(1,395)
Balance, March 31, 2019	146,020,339	32,147,922	6,480,016	(35,931,315)	(42,588)	2,654,035

See notes to the condensed consolidated interim financial statements

FPX NICKEL CORP.
Condensed Consolidated Interim Statements of Cash Flows
For the Three Months Ended March 31
(Unaudited)
(Stated in Canadian Dollars)

	2019	2018
	\$	\$
Cash provided by (used for):		
Operating activities		
Net income (loss) for the period	(590,685)	(764,279)
Add items not involving cash:		
Accrued interest included in loan payable	56,978	54,973
Unrealized foreign exchange loss (gain) on loan	(88,422)	118,973
Share-based compensation	434,892	420,729
	(187,237)	(169,604)
Changes in non-cash working capital components:		
Amounts receivable	(9,550)	(4,349)
Prepaid expenses	720	(2,005)
Accounts payable and accrued liabilities	(8,039)	2,533
Interest payable	(2,092)	2,608
	(206,198)	(170,817)
Financing activities *		
Proceeds from shares issued	-	1,470,000
Share issue costs	-	(45,177)
	-	1,424,823
Investing activities *		
Exploration and evaluation expenditures	(73,183)	(124,270)
	(73,183)	(124,270)
Net cash and cash equivalents provided (used) during period	(279,381)	1,129,736
Cash and cash equivalents – beginning of period	1,449,593	560,136
Cash and cash equivalents - end of period	1,170,212	1,689,872

** Supplemental disclosure of non-cash financing and investing activities:*

Interest received	4,530	1,212
Accounts payable related to mineral properties	11,564	36,117

See notes to the condensed consolidated interim financial statements

FPX NICKEL CORP.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2019

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1. NATURE AND CONTINUANCE OF OPERATIONS

FPX Nickel Corp. (formerly First Point Minerals Corp.) (the “Company”) is incorporated under the *Business Corporations Act* (Alberta) and is involved in the acquisition and exploration of mineral property interests that are considered potential sites of economic mineralization. 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. The name change became effective on May 30, 2017. At the date of these consolidated financial statements, the Company has not identified a known body of commercial grade ore on any of its properties and the ability of the Company to recover the costs it has incurred to date on these properties is dependent upon the Company being able to identify a commercial ore body, to finance its exploration and development costs and to resolve any environmental, regulatory, or other constraints which may hinder the successful development of these properties.

On November 18, 2015, the Company closed a transaction with Cliffs Natural Resources Inc. (“Cliffs”) to purchase Cliffs’ 60% ownership of FPX Nickel’s flagship Decar nickel project, located in central British Columbia, for an acquisition price of US \$4.75 million (CDN \$6.27 million) (“the Transaction”). Completion of the Transaction has resulted in FPX Nickel owning 100% of the Decar project. To finance the Transaction, FPX Nickel entered into an arm’s-length loan agreement with an individual shareholder of FPX Nickel (“the Private Shareholder”), through which the Private Shareholder lent US \$5.0 million (CDN \$6.68 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.

On March 25, 2019, the Company announced that it has entered into a loan agreement with the Company’s Chairman, Peter Bradshaw, through which a trust controlled by Mr. Bradshaw will loan C\$4 million to the Company (the “Bradshaw Loan”). 100% of the proceeds of the Bradshaw Loan will be used to make an early re-payment of 50% (the “Partial Repayment”) of the principal and accrued interest owing under the terms of the Company’s existing loan agreement with an arm’s length individual shareholder of the Company (the “Private Shareholder Loan”, see Note 10 – “Loan Payable”). On closing of the Bradshaw Loan, which is expected to occur on September 4, 2019, the completion of the Partial Repayment and amendment of the Private Shareholder Loan, the Company’s long-term debt will be as follows:

- Bradshaw Loan with principal of C\$4 million and accrued interest due on September 4, 2025
- Private Shareholder Loan with principal of US\$2.5 million and accrued interest due on September 4, 2022

The Company has not generated revenue from operations. The Company incurred a net loss of \$590,685 (2018 – \$764,279) during the three months ended March 31, 2019 and as of that date the Company’s deficit was \$35,931,315 (December 31, 2018 - \$35,340,630). As the Company is in the exploration stage, the recoverability of the costs incurred to date on its exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties.

While the Company’s working capital position at March 31, 2019 was \$1,088,178 (December 31, 2018 - \$1,360,163), the Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

These consolidated financial statements include the financial statements of the Company and its subsidiaries. They are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

The head office and principal address of the Company is Suite 725 – 1155 West Pender Street, Vancouver, British Columbia V6E 2P4. The Company’s registered and records office is 4500 Bankers Hall East, 855 Second Street SW, Calgary, Alberta T2P 4K7.

FPX NICKEL CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited)

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2. BASIS OF PREPARATION

(a) *Statement of compliance*

The condensed consolidated interim financial statements for the three months ended March 31, 2019, including comparatives for the prior period, 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. The Company operates in one reportable operating segment being the exploration of mineral properties.

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and were approved and authorized for issue by the Board of Directors on May 30, 2019.

(b) *Basis of measurement*

These consolidated financial statements have been prepared on a historical costs basis except for financial instruments, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the period. Although management uses historical experience and its best knowledge of the amounts, events or actions to form the basis for judgments and estimates, actual results could differ from these estimates.

3. CASH AND CASH EQUIVALENTS

	March 31, 2019	December 31, 2018
Cash on deposit	\$ 74,430	\$ 358,341
Liquid short-term investments	<u>1,095,782</u>	<u>1,091,252</u>
Cash and cash equivalents	<u>\$ 1,170,212</u>	<u>\$ 1,449,593</u>

4. AMOUNTS RECEIVABLE

The Company’s receivables arise mainly from amounts due from Canadian government taxation authorities in relation to GST receivable and mineral exploration cost recoveries.

5. PREPAID EXPENSES

The Company’s prepaid expenses consist of the following:

	March 31, 2019	December 31, 2018
Insurance	\$ 8,677	\$ 3,100
Vendor prepayments	<u>15,876</u>	<u>22,173</u>
Total	<u>\$ 24,553</u>	<u>\$ 25,273</u>

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6. RECLAMATION DEPOSITS

The Company has provided deposits as security against potential future reclamation work relating to three of its mineral properties. As at March 31, 2019, a total of \$117,474 (December 31, 2018 - \$117,474) has been provided in the form of cash and Guaranteed Investment Certificates posted with the Minister of Finance for the Province of British Columbia for the benefit of the provincial Ministry of Energy and Mines.

7. MARKETABLE SECURITIES

Marketable securities consist of equity securities over which the Company does not have control or significant influence. Unrealized gains and losses due to period end revaluations to fair value are included in other comprehensive loss for the period. At March 31, 2019, the Company owned 278,916 (December 31, 2018 - 278,916) shares of Aquila Resources Inc., the shares of which are traded on the Toronto Stock Exchange.

	March 31, 2019	December 31, 2018
Marketable securities – fair value	\$ 54,389	\$ 55,783
Marketable securities – cost	96,961	96,961

8. EXPLORATION AND EVALUATION ASSETS

As at March 31, 2019, the Company holds a 100% interest in five nickel properties, four of which are located in British Columbia (Decar, Wale, Orca and Klow), and one located in the Yukon Territory (Mich). With the exception of the Decar district, the Company's nickel properties are all in the early stage of exploration.

Canada

Nickel Properties, British Columbia and Yukon Territory

Under the terms of an option agreement entered into in November 2009, Cliffs held the right to earn an initial 51% interest in the Decar district by spending US\$4,500,000 on the property over four years. In mid-September, 2011, Cliffs committed to completing a National Instrument 43-101 compliant preliminary economic assessment ("PEA") on the Baptiste deposit. Pursuant to an amended agreement dated September 12, 2011, by agreeing to complete the scoping study within 18 months, Cliffs was deemed to have earned an initial 51% interest in the Decar district and the Company was deemed to have earned a 1% NSR royalty in the Decar district. On delivery of the PEA in April 2013, Cliffs earned an additional 9% interest in Decar, bringing its aggregate interest to 60%. In August 2015, the structure of ownership of the Decar district converted to a contractual joint venture, with initial ownership interests fixed at 60% for Cliffs and 40% for FPX Nickel.

On November 18, 2015, the Company closed the Transaction with Cliffs to purchase Cliffs' 60% ownership of the Decar district for an acquisition price of US \$4.75 million (CDN \$6.27 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 with an individual shareholder of FPX Nickel, through which the Private Shareholder lent US \$5.0 million (CDN \$6.68 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 Private Shareholder received a drawdown fee equal to 4% of the loan amount and received a 1% NSR royalty over the Decar district (Note 10). There are no covenant provisions associated with the loan, which is secured against the Decar project.

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8. EXPLORATION AND EVALUATION ASSETS *(continued)*

During the year ended December 31, 2014, deferred acquisition and exploration costs incurred on three of the Company's British Columbia nickel properties (Wale, Orca and Klow) totaling \$2,441,636 were written off as the Company has no plans at this time to perform significant work on those properties. The Company retains the underlying mineral claims for the Wale, Orca, and Klow nickel properties in good standing. As of March 31, 2019, the Wale, Orca and Klow properties are carried at a nominal value of \$1 per property.

Honduras

Camporo Property

The Company acquired a 60% interest in the Camporo property in southern Honduras, subject to a 0.6% NSR royalty interest, from Minera Battle Mountain Gold Company ("BMG") by incurring exploration expenditures of US\$1,000,000 and issuing 700,000 common shares. As of December 31, 2017 the property was carried at a nominal value of \$1.

During the year ended December 31, 2018, the Company vended its interest in the Camporo property to a private company for consideration of \$1.

Consolidated Schedule of Costs – Exploration and Evaluation Assets

	Balance Dec. 31, 2017	Acquisition Costs	Exploration Costs	Recoveries	Costs Written Off	Balance Dec. 31, 2018
	\$	\$	\$	\$	\$	\$
CANADA						
Decar	8,048,525	-	296,474	(37,313)	-	8,307,686
Wale	1	-	-	-	-	1
Orca	1	-	-	-	-	1
Klow	1	-	-	-	-	1
Mich	844,362	10,080	-	-	-	854,442
Subtotal, Canada	8,892,890	10,080	296,474	(37,313)	-	9,162,131
HONDURAS						
Camporo	1	-	-	(1)	-	-
Subtotal, Honduras	1	-	-	(1)	-	-
Total Costs – Exploration & Evaluation Assets	8,892,891	10,080	296,474	(37,314)	-	9,162,131

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(Unaudited)

(Stated in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS *(continued)*

Consolidated Schedule of Costs – Exploration and Evaluation Assets

	Balance Dec. 31, 2018	Acquisition Costs	Exploration Costs	Recoveries	Costs Written Off	Balance Mar. 31, 2019
	\$	\$	\$	\$	\$	\$
CANADA						
Decar	8,307,686	-	84,747	-	-	8,392,433
Wale	1	-	-	-	-	1
Orca	1	-	-	-	-	1
Klow	1	-	-	-	-	1
Mich	854,442	-	-	-	-	854,442
Total Costs – Exploration & Evaluation Assets	9,162,131	-	84,747	-	-	9,246,878

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities for the Company are broken down as follows:

	March 31, 2019	December 31, 2018
Trade payables	\$ 44,202	\$ 15,675
Accrued liabilities	15,000	40,000
Total	\$ 59,202	\$ 55,675

10. LOAN PAYABLE

On September 4, 2015, FPX Nickel entered into an arm’s-length loan agreement with an individual shareholder of the Company (the “Private Shareholder”), through which the Private Shareholder lent US \$5.0 million (CDN \$6.68 million) to the Company for a five-year period at a 6.5% headline interest rate (the “Private Shareholder Loan”). 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. At March 31, 2019, the fair value of the loan payable was approximately \$7,665,000 (December 31, 2018 – \$8,102,000). Fair value was determined using an income approach. An income approach is a present value technique that takes into account the future cash flows that would be expected to be received from holding the loan payable as an asset. Present value was calculated using the following attributes – future lump sum of \$8,402,379, 17 months to maturity, an exchange rate of CDN \$1 = US \$0.75, and a discount rate of 6.5% discounted annually. In addition, the Private Shareholder received a drawdown fee equal to 4% of the loan amount and received a 1% NSR royalty over the Decar project.

FPX NICKEL CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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10. LOAN PAYABLE (continued)

The loan matures on September 4, 2020 and is carried at amortized cost. There are no covenant provisions associated with the loan, which is secured against the Decar project. The loan may be repaid, in whole or in part, prior to maturity and without penalty, at the option of FPX Nickel. As of March 31, 2019, interest payable on the loan in the next twelve months in the amount of \$100,227 (December 31, 2018 – \$102,319) has been classified as a current liability. As at March 31, 2019, the loan payable balance includes accrued interest of \$1,088,336 (December 31, 2018 – \$1,031,358).

On March 25, 2019, the Company announced that it has entered into a loan agreement with the Company's Chairman, Peter Bradshaw, through which a trust controlled by Mr. Bradshaw will loan C\$4 million to the Company (the "Bradshaw Loan"). 100% of the proceeds of the Bradshaw Loan will be used to make an early re-payment of 50% (the "Partial Repayment") of the principal and accrued interest owing under the terms of the Private Shareholder Loan.

The terms of the Bradshaw Loan are as follows:

- The principal is C\$4 million.
- The maturity date is September 4, 2025 (the "Bradshaw Loan Maturity Date").
- The headline interest rate is 7.5%, of which 2% will be paid currently, on a semi-annual basis, and the remaining 5.5% will be accrued on a non-compounding basis and paid at the Bradshaw Loan Maturity Date.
- There are no covenant provisions associated with the Bradshaw Loan, which may be repaid, in whole or in part, prior to September 4, 2025 and without penalty, at the Company's option.
- In the event of a change of control of the Company prior to September 4, 2022, whether or not the Bradshaw Loan has been settled by early repayment prior to September 4, 2022, a premium of 7.5% of the Bradshaw Loan principal of C\$4 million will be payable to Mr. Bradshaw.
- In the event of a change of control of the Company between September 4, 2022 and September 4, 2025, whether or not the Bradshaw Loan has been settled by early repayment prior to September 4, 2025, a premium of 10% of the Bradshaw Loan principal of C\$4 million will be payable to Mr. Bradshaw.
- At inception, the Bradshaw Loan will be unsecured. On the eventual settlement of all amounts owed under the terms of the Private Shareholder Loan, the Bradshaw Loan will be secured against the Company's Decar mineral claims.

The Company has agreed with the Private Shareholder to amend the terms of the Private Shareholder Loan to extend the loan's maturity date from September 4, 2020 to September 4, 2022. The amended terms of the Private Shareholder Loan are as follows:

- Following the Partial Repayment, the principal will be reduced to US\$2.5 million.
- The Private Shareholder Loan Amended Maturity Date is September 4, 2022.
- The headline interest rate is 7.5%, of which 2% will be paid currently, on a semi-annual basis, and the remaining 5.5% will be accrued on a non-compounding basis and paid at September 4, 2022.
- There are no covenant provisions associated with the Private Shareholder Loan, which may be repaid, in whole or in part, prior to September 4, 2022 and without penalty, at the Company's option.
- In the event of a change of control of the Company prior to September 4, 2022, whether or not the Private Shareholder Loan has been settled by early repayment prior to September 4, 2022, a premium of 7.5% of the principal of US\$2.5 million will be payable to the Private Shareholder.
- The Private Shareholder Loan will continue to hold a fixed and specific charge against the Decar mineral claims.

Closing of the Bradshaw Loan is subject to acceptance by the TSX Venture Exchange and is expected to occur on September 4, 2019. Partial Repayment of the Private Shareholder Loan is expected to occur concurrently with the closing of the Bradshaw Loan.

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10. LOAN PAYABLE *(continued)*

In the event the C\$4 million advanced under the terms of the Bradshaw Loan on September 4, 2019, upon conversion into U.S. dollars, is less than the Partial Repayment amount of US\$3 million, the Company will make up the deficiency using its own funds for this purpose, such as to make the Partial Repayment of US\$3 million.

On closing of the Bradshaw Loan, the completion of the Partial Repayment and amendment of the Private Shareholder Loan, the Company's long-term debt will be as follows:

- Bradshaw Loan with principal of C\$4 million and accrued interest due on September 4, 2025
- Private Shareholder Loan with principal of US\$2.5 million and accrued interest due on September 4, 2022

11. SHARE CAPITAL

(a) Authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of first and second preferred shares. None of the preferred shares have been issued.

(b) Issued and outstanding

On March 19, 2018, the Company closed a private placement of 12,250,000 shares at a price of \$0.12 per share, for gross proceeds of \$1,470,000. Finders' fees of \$33,181 were paid on a portion of the proceeds.

(c) Stock options

The Company has an incentive stock option plan that conforms to the requirements of the TSX Venture Exchange. Options to purchase common shares have been granted to directors, employees and consultants of the Company at exercise prices determined by their market value on the date of the grant. The options vest immediately on the date of the grant or as otherwise determined at the discretion of the Board.

On March 28, 2019, the Company granted directors, officers, and employees an aggregate of 2,900,000 options to purchase shares at an exercise price of \$0.20 per share, all of which vested immediately. The options will expire on March 28, 2024.

Stock option transactions during the periods ended March 31, 2019 and December 31, 2018, and the number of stock options outstanding and exercisable at March 31, 2019 are summarized as follows:

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11. SHARE CAPITAL *(continued)*

	Number of Options	Weighted- Average Exercise Price (\$)	Weighted-Average Contractual Remaining Life (Years)
Balance, December 31, 2017	8,450,000	0.17	3.04
Granted	3,800,000	0.15	
Expired	<u>(1,075,000)</u>	0.43	
Balance, December 31, 2018	11,175,000	0.14	3.05
Granted	<u>2,900,000</u>	0.20	
Balance, March 31, 2019	<u>14,075,000</u>	0.15	3.26
Exercisable at March 31, 2019	<u>14,075,000</u>		

Summary of stock options outstanding at March 31, 2019:

<u>Number Outstanding</u>	<u>Exercise Price (\$)</u>	<u>Expiry Date</u>
1,375,000	0.15	September 5, 2019
2,950,000	0.10	May 12, 2021
2,550,000	0.15	March 30, 2022
250,000	0.15	September 6, 2022
250,000	0.10	November 21, 2022
3,800,000	0.15	March 23, 2023
<u>2,900,000</u>	0.20	March 28, 2024
<u>14,075,000</u>		

(d) Share-based compensation

The weighted average fair value of stock options granted during the periods ended March 31, 2019 and December 31, 2018 and was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2019	2018
Expected dividend yield	0%	0%
Risk-free interest rate	1.5%	2.0%
Expected stock price volatility	142%	143%
Expected life of options	5 years	5 years
Weighted average fair value per stock option	\$0.15	\$0.1107

Share-based compensation expense of \$434,892 was recorded during the three months ended March 31, 2018 (2018 - \$420,729). The offsetting credit was to other equity reserve.

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option grants.

FPX NICKEL CORP.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2019

*(Unaudited)**(Stated in Canadian Dollars)***11. SHARE CAPITAL** *(continued)*

(e) Other equity reserve

The following is a summary of the components of other equity reserve at March 31, 2019 and December 31, 2018:

	March 31, 2019	December 31, 2018
Share options	\$ 6,122,369	\$ 5,687,477
Finders' warrants	357,647	357,647
Total other equity reserve	\$ 6,480,016	\$ 6,045,124

12. LOSS PER SHARE

Loss per share has been calculated using the weighted-average number of common shares outstanding during the period. Diluted loss per share has not been calculated as it is anti-dilutive.

13. RELATED PARTY TRANSACTIONS

At March 31, 2019, liabilities included \$33,926 (December 31, 2018 – \$29,444) due to related parties. Amounts due to related parties are unsecured and non-interest bearing.

During the three months ended March 31, 2019, the Company entered into the following related party transactions:

- paid or accrued \$37,500 (2018 - \$37,500) 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 \$31,185 (2018 - \$23,520) 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.
- paid or accrued \$11,250 (2018 - \$7,875) in fees to P.J. Marshall Consulting Inc., a private company controlled by Peter Marshall, a Director of the Company, for advisory 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 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 three months ended March 31, 2019 and 2018 are shown in the following table:

	2019	2018
Salaries or fees	\$ 68,685	\$ 61,020
Share-based payments	160,000	232,470
Total key management personnel	\$ 228,685	\$ 293,490

FPX NICKEL CORP.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2019

*(Unaudited)**(Stated in Canadian Dollars)***14. COMMITMENTS**

As of March 31, 2019, the Company's aggregate commitments are as follows:

	< 1 year	1 – 3 years	4 -5 years	Total
Accounts payable and accrued liabilities	\$ 59,202	\$ -	\$ -	\$ 59,202
Office lease	40,231	-	-	40,231
Interest payable and loan payable	100,227	8,402,379	-	8,502,606
Totals	\$ 199,660	\$ 8,402,379	\$ -	\$8,602,039

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT***Fair value***

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments measured at fair value on the consolidated statements of financial position are summarized in levels of fair value hierarchy as follows:

	March 31, 2019	December 31, 2018
	Level 1	Level 1
Cash and cash equivalents	\$ 1,170,212	\$ 1,449,593
Marketable securities	54,389	55,783

The carrying value of receivables, reclamation bonds and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

Risk Management

The Company is exposed to a variety of financial risks by virtue of its activities, including credit risk, interest rate risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out by management under the direction and guidance of the Board of Directors. Management is responsible for establishing controls and procedures to ensure that financial risks are mitigated to acceptable levels.

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

FPX NICKEL CORP.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2019

(Unaudited)

(Stated in Canadian Dollars)

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk of potential loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying amount on the statements of financial position and arises from the Company's cash and cash equivalents, marketable securities, receivables, excluding GST receivable and British Columbia mineral exploration tax credits receivable, and reclamation deposits.

The Company's cash and cash equivalents and marketable securities are held in accounts with Canadian chartered banks and a brokerage firm. Cash in excess of the amounts needed to fund the Company's day-to-day operating expenses is invested in securities guaranteed by the federal or British Columbia government. The reclamation deposits are in the form of Guaranteed Investment Certificates pledged to the Minister of Finance for the Province of British Columbia to cover the estimated cost of reclaiming the Company's exploration projects.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2019, the Company had cash balances of \$1,170,212 to settle current liabilities of \$159,429. All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

Since inception, the Company has financed its cash requirements primarily by issuing securities. On September 4, 2015, FPX Nickel entered into an arm's-length loan agreement with an individual shareholder of the Company, through which the Private Shareholder 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. The timing of cash outflows relating to financial liabilities are outlined in Note 15 – Commitments. At March 31, 2019, the Company had met all the obligations associated with its financial liabilities.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(a) Interest rate risk

The Company has cash and cash equivalents balances and periodically monitors the investments it makes and is satisfied with the credit ratings of the financial institutions it deals with and the securities in which its funds are invested. The interest rate on the Company's loan payable, which matures on September 4, 2020, is 6.5%, and the loan is repayable before maturity at any time at the Company's option without penalty.

(b) Foreign currency rate risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. In addition, the Company's loan payable, which matures on September 4, 2020 is denominated in United States dollars. The Company funds certain operations, exploration and administrative expenses in the United States and other foreign countries by converting funds from its Canadian dollar bank accounts and wiring US funds to the foreign counterparty. Management does not currently hedge its foreign exchange risk.

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Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2019

(Unaudited)

(Stated in Canadian Dollars)

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

Sensitivity Analysis

The Company works toward its capital management objectives to the extent possible while facing the challenges of market conditions and the public's assessment of the Company's risk profile. Its capital management objectives have not changed over the period presented.

The carrying value of cash and cash equivalents, marketable securities, receivables, reclamation deposits, accounts payable and current liabilities approximate their fair values due to the relatively short periods to maturities of these financial instruments.

Based on management's knowledge of and experience in the financial markets, management does not believe that the Company's current financial instruments will be materially affected by credit risk, liquidity risk or market risk.

The Company is not subject to any financial covenants. The Company monitors its financing requirements through cash forecasting, consideration of current economic conditions and reviews of economic and political commentaries in respect of future developments. Financing decisions are based on the timing and extent of expected operating and capital cash outlays. Factors considered when determining whether to issue equity include the amount of cash sought, the availability of these sources and their terms.

16. CAPITAL MANAGEMENT

At March 31, 2019, the Company had working capital of \$1,088,178 (December 31, 2018 - \$1,360,163). 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.

17. SUBSEQUENT EVENT

Between May 10 and May 22, 2019, the Company sold 115,500 shares of Aquila Resources Inc. at \$0.22 per share for gross proceeds of \$25,410. Following the sale, the Company held 163,416 shares of Aquila.