

# **FATHOM NICKEL INC.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE AND SIX MONTHS ENDED**

**JUNE 30, 2021**

(Expressed in Canadian Dollars)

**Report Date – August 30, 2021**

*The following Consolidated Management's Discussion and Analysis ("MD&A") dated August 30, 2021 is in respect of the three and six-month periods ended June 30, 2021 for Fathom Nickel Inc. ("Fathom" or the "Company"). It is management's assessment of the results of operations and financial condition of Fathom and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the six month period ended June 30, 2021 ("Q2-21"), together with the notes thereto. The Corporation's Q2 2021 unaudited condensed interim consolidated financial statements ("Q2-21 interim financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts are in Canadian dollars, unless otherwise noted.*

*The "Qualified Person" under the guidelines of National Instrument 43-101 of the Canadian Securities Administrators ("NI 43-101") for Fathom's Albert Lake exploration project as described in the following discussion and analysis is Ian Fraser, Vice-President, Exploration the Company and a Professional Geologist Registered in the Provinces of Alberta, Saskatchewan and British Columbia.*

*This MD&A was approved by the board of directors of Fathom on August 30, 2021.*

## **1. DESCRIPTION OF BUSINESS AND REPORTING ENTITY**

The Company's wholly owned subsidiary, Fathom Minerals Ltd. ("FML") was incorporated pursuant to the Business Corporations Act (Alberta) as Cauca Gold Corp. on April 27, 2012 and changed its name to Fathom Minerals Ltd. on April 23, 2015. As described in Section 3 below, on January 22, 2021 the Company acquired 100% of the issued and outstanding capital stock of FML in a share-for-share transaction. Based on the requirements of IFRS 2, the acquirer was determined to be FML and the transaction was accounted for as a reverse takeover ("RTO"). This MD&A is in respect of all entities in which FML has a controlling interest and the consolidated entity is referred to as the Company or Fathom.

Since inception, the Company has been engaged in identifying, acquiring and exploring for base and precious metals in Canada, specifically targeting metals and minerals required to support the electric vehicle ("EV") and battery markets. The Company's current focus is the exploration and development of its flagship Albert Lake Project.

The Company is in the process of exploring for mineral deposits and has not yet fully determined whether its mineral property interests contain ore reserves that are economically recoverable. Accordingly, as is common with junior exploration companies, the Company is dependent upon obtaining necessary equity financing from time to time to finance its on-going and planned exploration activities and to cover administrative costs. The recoverability of amounts recorded as exploration and evaluation asset ("E&E asset") is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, and the future profitable production from the property or realizing proceeds from its disposition.

Fathom has not conducted any significant revenue generating operations to date. As at June 30, 2021, the Company had working capital of \$7,561,934 (including cash of \$8,121,831) and exploration and evaluation assets of \$3,180,184.

The Company's shares are listed for trading on:

- the Canadian Securities Exchange ("CSE") under the trading symbol **FNI**.
- the Frankfurt Stock Exchange ("FSE") under the trading symbol **6Q5**.
- the OTCQB under the trading symbol **FNICF**.

## 2. HIGHLIGHTS OF THE QUARTER

### *Events occurring during the quarter ended June 30, 2021*

- The Company obtained the Final Receipt on its non-offering prospectus from the Alberta Securities Commission on May 13. The Company's common shares were approved for trading on the CSE shortly thereafter and its shares began trading on May 25 under the ticker symbol **FNI**.
- The Company's shares began trading on the Frankfurt Stock Exchange on June 3 under the ticker symbol **6Q5**.
- On May 31 the Company announced the assay results from previously unanalyzed rare PGE's samples collected at the historic Rottenstone Mine. Management is very encouraged by the significant presence of these rare PGE elements (rhodium, osmium, iridium and ruthenium) in the historic samples.
- On June 7 the Company announced the discovery of new ultramafic mineralization 550m northwest of the historic Rottenstone Mine (the "**Island Showing Area Discovery**") Borehole EM survey in discovery drillhole at the Island Showing Area , together with subsequent modelling indicates a plunging body, increasing in conductivity south of the drillhole, potentially indicative of increased mineralization in a southerly direction. This will be a focus area for follow-up drilling during the winter 2022 exploration program.
- Between April and June the Company completed a 9,000 line-kilometer heliborne MAG survey and initiated its field exploration program focussed on geological mapping, prospecting and soil geochemistry (1,475 soil samples were collected during Q2-21).

### *Events occurring subsequent to the end of the quarter ended June 30, 2021*

- The Company's application for a listing on the OTCQB was approved and its shares were listed for trading under the ticker symbol **FNICF** on July 21. The Company is currently awaiting the approval of its DTC eligibility application and is expecting that approval in Q3-21.

## 3. REVERSE TAKEOVER OF THE COMPANY

Pursuant to a Share Purchase Agreement (the "SPA") dated January 6, 2021, the Company agreed to acquire 100% of the issued and outstanding common shares of FML via a share-for-share exchange (the "Transaction"). Each former shareholder of FML shareholder received one (1) share of the Company in exchange for each share of FML beneficially owned. As Fathom was an entity with no operations, it did not meet the definition of a business under IFRS 3. Accordingly, the Transaction is accounted for as a reverse acquisition along with a share-based payment in accordance with IFRS 2. The Transaction closed on January 22, 2021, resulting in the issuance of 13,295,037 to shareholders

of the Fathom. Immediately upon closing of the Transaction, there were 25,790,075 shares outstanding of which former shareholders of FML held 48.4%. After the Transaction, the Management and Directors of FML were appointed to their respective Board and Management positions with the Company. As a result, the acquirer, based on the requirements of IFRS 2, is determined to be FML. The shares issued to former shareholders of the FNI were valued at a price of \$0.20/share for a total transaction value of \$2,659,007. The fair value of the Company was determined based on the number of shares issued to former shareholders of the FNI at a price of \$0.20/share.

\$2,659,007 has been allocated as follows:

Accounts payable and accrued liabilities	\$ (13,138)
Finance expense	<u>2,672,145</u>
	<u>\$ 2,659,007</u>
Consideration comprised of:	
Fair value of common shares	<u>\$ 2,659,007</u>

#### 4. RESOURCE PROPERTIES

##### Albert Lake Project (formerly Rottenstone Property)

The Albert Lake Project is a past producer of nickel-copper-platinum group elements (Rottenstone Mine) and a modern exploration project located in the La Ronge Mining District of Saskatchewan, approximately 135km north-northeast of La Ronge. At June 30, 2021, the Albert Lake Project was comprised of 28 mineral claims covering an aggregate area of 90,144 hectares<sup>1</sup>. The center of the property is located at 104° 49' 33" longitude west and 56° 20' 39" latitude north. A 14-person camp was constructed at the historic Rottenstone mine site in 2018. In Q2-21 the Company upgraded and expanded the camp to comfortably accommodate 20 people.

The original rights to the Albert Lake Project were acquired by Fathom in June 2015 and are subject to two underlying agreements. The first underlying agreement is a Purchase and Sale Agreement dated 29 April 2015 between Fathom and Uravan Minerals Inc. ("Uravan") which grants Uravan a 2% net smelter return ("NSR") royalty over an area of mutual interest. Fathom can purchase 1% of the NSR royalty for a payment of \$1,000,000 to Uravan at Fathom's discretion. The second underlying agreement is a Purchase and Sale Agreement dated 8 June 2015 between Fathom and Mr. Dorian Leslie which grants Mr. Leslie a 1% NSR ("the Dorian NSR") on claims MC00002913 and MC00002965. Fathom can purchase the Dorian NSR royalty in its entirety for a payment of \$500,000 at Fathom's discretion. The balance of the Albert Lake Project, comprising approximately 78,000 hectares, is not subject to any underlying royalties.

The Albert Lake property lies within the Rottenstone Domain of the Proterozoic Trans-Hudson orogenic belt. The Trans-Hudson Orogen is a major orogenic belt that stretches from the United States through

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Canada and extends to Greenland and defines the boundary between the Hearne and Superior cratons. The Rottenstone Domain is a broad belt of early to late syntectonic, northeast trending arcuate tonalite to granite intrusive rocks with associated injection migmatites. The 1,200km wide Wathaman batholith (1855±6 Ma) is a magnetite rich granite-granodiorite within the Rottenstone Domain. The metamorphic grade of the Rottenstone domain is mid-upper amphibolite.

The Albert Lake Project geology is dominated by a northeast striking, northwest dipping meta-tonalite-trondhjemite-pelitic migmatite complex of Paleoproterozoic age. MacLachlan (2003, 2005) divided the immediate Albert Lake property area into granitoids and supracrustal rocks. The supracrustal rocks; the oldest rocks occurring on the Albert lake property, include pelite, psammite, migmatitic psammitic to pelitic metasedimentary rocks, a variety of supracrustal rocks including layered calc-silicate, melanocratic biotite-hornblende-plagioclase rich metasedimentary/metavolcanic rocks, along with amphibolite. The ultramafic intrusions, host to the Rottenstone deposit, the Tremblay-Olson showing, and other known ultramafic occurrences occur within metasedimentary rocks (the supracrustal rocks).

Three styles of mineralization occur at the Albert Lake property. Style one; occurring within the host migmatite complex; consisting of metasedimentary supracrustal rocks, disseminated and stringer pyrrhotite occurs with minor pyrite and rare chalcopyrite, along with fine disseminated graphite. The second type of mineralization recognized is formational semi-massive to massive pyrrhotite with lesser pyrite and chalcopyrite occurring within the metasedimentary assemblages. The third style; the Rottenstone-style of mineralization, is the mineralization comprising the Rottenstone deposit. The Hall Showing (Rottenstone deposit) contained up to 50% sulphides in the form of pyrrhotite and lesser chalcopyrite. Most of the mineralization occurs in the form of dense net-textured sulphides consisting of pyrrhotite, pentlandite and chalcopyrite. The Rottenstone deposit is unique; the contained precious metal content is higher grade than ores of most deposits of this type.

The Rottenstone deposit would appear to be typical of a deep-rooted, mantle derived, magmatic Ni-Cu+PGE ultramafic hosted, sulphidic type of mineral deposit. The Rottenstone deposit hosts rich concentrations of PGE's, possibly the richest of any deposit of its type mined in Canada. It has been suggested up to 50% of the host ultramafic intrusion consisted of sulphides and that the intrusion is the result of a significant magma chamber at depth within the vicinity of the Rottenstone deposit.

## **Exploration prior to 2020**

Historically, exploration in the area of the Albert Lake Project extends back over 50 years and includes prospecting, mapping sampling, airborne and ground geophysical surveys, diamond drill holes and a past nickel, copper, PGE producer.

Following is a summary of exploration at Albert Lake since Fathom's acquisition of the project in 2015:

- 2015 – July to September; assayed 543 samples (inclusive of standards) of the 1007 drill core samples collected in the 2003 drill program, but not previously analyzed. Fathom utilized a multi-acid digestion, multi-element (41) ICP-MS finish assay to identify ultramafic intersections and ultramafic drill cores anomalous in nickel-cobalt+copper and other pathfinder elements. Note assays were not performed to determine Pd and Pt contents (Fraser, 2016).
- 2015 – August to September; re-interpreted, relogged drillholes and collected an additional 226 drill core samples (inclusive of standards) from the 2008 drilling program performed at the Rottenstone property. As above; a multi-acid digestion, multi-element (41) ICP-MS finish assay was utilized to identify ultramafic intersections and ultramafic drill cores anomalous in nickel-

cobalt+copper and other pathfinder elements. Note assays were not performed to determine Pd and Pt contents (Fraser, 2016).

- 2016 – 2018; a comprehensive compilation of data collected at the Albert Lake property 1954 through to the end of the last exploration at Albert Lake; 2008. The emphasis being; putting all data in a consistent Datum; NAD83 Zone 13, and defining geophysical, geochemical fingerprints analogous to the Rottenstone deposit style of mineralization and utilizing these fingerprints within existing geophysical, geochemical databases for the purpose of defining drill targets and areas to focus exploration (Morris, Galbraith, Meintjes, 2018).
- 2017 – June to October; Fathom submitted to Kemetco Research Inc. (Richmond, BC) two samples of Rottenstone-type mineralization for a “Preliminary Mineralogical and Metallurgical Scoping of Rottenstone Ore” (Warkentin, 2017).
- 2018 – July; assayed an additional 162 samples (inclusive of standards) from the 1007 drill core samples collected in the 2003 drill program, but not previously analyzed. As above; a multi-acid digestion, multi-element (41) ICP-MS finish assay was utilized to identify ultramafic intersections and ultramafic drill cores anomalous in nickel-cobalt+copper and other pathfinder elements. Note assays were not performed to determine Pd and Pt contents (Morris, Galbraith, Meintjes, 2018) (Fraser, 2019).
- 2018 – June to September; review and re-interpretation of historic borehole electromagnetic (BHEM) data from drillholes drilled 1999, 2000.
- 2018 – July to August; Fathom located, dummy probed and performed BHEM surveys on fifteen historic drillholes drilled 1999 – 2016. Notably, drillholes RL99006, RL99007, RL00020, RL00021, RL02024, RL02025, RL03029, RL03030, RL03032, RL03033, RL03035, RL03036, RL03037, MR08-05 and FMRS16-008. Fathom has the raw data for these surveys; however, the contractor did not provide a formal report. Fathom continues to evaluate this data through the services of geophysical consultants (Fraser, 2019).
- 2018 – July to September; review, interpretation and Maxwell Plate Modelling of conductors within an area of the 2008 VTEM survey, corresponding to area where 2018 soil geochemical survey took place (Fraser, 2019).
- 2018 – July to August; B-horizon soil geochemical survey covering an approximate 20km<sup>2</sup> area encompassing the historic Rottenstone mine and corresponding to an area in which 2008 VTEM survey conductors were modelled using Maxwell Plate Modelling software. In all 1559 (inclusive of standards) from a proposed 1746 sample grid were collected. Soil samples were dried and sieved with an -80 mesh and from a 30g split, an aqua regia digest 37-element assay was obtained by inductively coupled plasma mass spectrometry (Fraser, 2019).
- 2018 – September to October; Fathom drilled five NQ-size drillholes amounting to 992m drilled. Two drillholes drilled on the Big Island 400m west of the Rottenstone Mine tested an off-hole BHEM anomaly detected in historic drillhole RL03030; the second drillhole tested a VTEM conductor detected on Big Island. The other 3 drillholes tested very strong VTEM conductors and the final drillhole tested an area of prominent Mag associated with a B-horizon soil anomaly. Ahead of the drill program a 14-person all season camp was established proximal to the historic Rottenstone Mine.

## 2020 Exploration

2020 – January to February; a structural interpretation report was produced that provided an overall structural interpretation of a large area incorporating the Albert Lake property. Several areas considered to be prospective for magmatic-Ni sulphide and PGE mineralization were proposed (Stewart, Williams, 2020).

### **Activity in Q1 2021 (January 1 to March 31, 2021)**

On February 16, 2021 the Company acquired an additional 11 mineral dispositions from the Saskatchewan Ministry of Energy and Mines. The new mineral dispositions are contiguous with the Company's existing Albert Lake Project and total 55,732 hectares, bringing the total size of the property to 90,127 hectares.

Fathom conducted a winter exploration program on the Albert Lake Property between February 16 and March 18, 2021 consisting of:

- The re-opening of the 14-person camp constructed in 2018 near to the historic Rottenstone Mine.
- Nine NQ-size drillholes were completed; AL21017 – AL21025, amounting to 1,232m drilled.
- Six drillholes were designed to test the south, southwest extension of the historic Rottenstone Mine. Two drillholes drilled from the ice near the Island Showing tested an area where several known, favourable ultramafic intersections were identified in 2003 drilling. The final drillhole was a follow-up to an off-hole BHEM anomaly associated with a significant ultramafic intersection identified in historic drillhole RL03030.
- Four of the nine drillholes drilled were probed utilizing BHEM instrumentation, and four historic drillholes were probed; RL03030 (re-probe), RL03031, FMRS18-012 and FMRS18-013.
- Surface EM profiles were generated in the area of drillholes AL21021 and AL21022 and 467 of a proposed 800 stations on Rottenstone Lake were systematically measured as part of a gravity survey.

Significant results include:

- Confirming an extension to the historic Rottenstone deposit (the "**Rottenstone Extension**"), a minimum 40m southwest extension to historic high-grade Ni-Cu-Co + PGE Rottenstone deposit including 18.1 g/t Pt over 1.01m (7.22% NiEq)
- Discovery of new ultramafic mineralization 550m northwest of the historic, high-grade Nickel, Copper, Cobalt + PGE Rottenstone Mine (the "**Island Showing Area Discovery**") Borehole EM survey in discovery drillhole at the Island Showing Area, together with subsequent modelling indicates a plunging body, increasing in conductivity south of the drillhole, potentially indicative of increased mineralization in a southerly direction.

### **Activity in Q2 2021 (April 1 to June 30, 2021)**

- In April 2021, a 9,000 line-kilometer heliborne MAG survey was conducted at 100m line spacing on the entire project area, including the newly acquired dispositions, to act as a base for future exploration targeting activities.

- Phase 1 of the summer / fall exploration program began with the arrival of the Terralogic Exploration Inc. field crews on June 15, 2021. Phase 1 focused on geological mapping, prospecting and soil geochemistry (1,475 soil samples were collected during Q2-21). Field crews were active in the area 8km along strike to the south and southwest of the Rottenstone deposit, in areas accessed from Lower Rottenstone Lake, Rottenstone Lake and Kenyon Lake. Samples have been sent to the laboratory for analysis. Results are pending.
- In June, Initial Exploration Services Inc. (a geophysical company) conducted a surface gravity and BHEM survey of selected historic drill holes. Data from these surveys is currently being processed and interpreted; results are pending and will be used in drill hole targeting for the Q3 drilling program.
- On May 27, 2021 the Company acquired one additional mineral disposition (17 Ha) from a third party, bringing the total size of the Albert Lake Project to 90,144 hectares.

#### **Activity Subsequent to June 30, 2021 (to August 30, 2021)**

Phase 2 of the summer / fall exploration program began on July 23 and was completed in mid-August. Phase 2 focused on geological mapping, prospecting and soil geochemistry (2,204 soil samples were collected subsequent to the during Phase 2 for a total of 3,679 soil samples collected to date in the 2021 campaign). Field crews continued work in the area along strike to the south and southwest of the Rottenstone deposit as well as in areas along strike to north and northeast. Samples have been sent to the laboratory for analysis. Results are pending.

#### **Exploration Plan for the balance of 2021**

Fathom's overall budget for the 3-phase 2021 exploration program is \$3,500,000 to be incurred between June 2021 and the balance of 2021 as follows: Phase 1 and 2 have now been completed. Phase 3, scheduled to commence August 30, will consist of the following activities:

- Heliborne EM over areas of priority focus
- Soil Sampling and Geochemistry (follow-up of priority areas from Phase 1 and 2)
- Mapping and Prospecting (follow-up of priority areas from Phase 1 and 2)
- Drilling and Associated Activities (up to 5,000m)

#### **5. SUMMARY OF SELECTED ANNUAL FINANCIAL INFORMATION**

A summary of selected financial information for the five most recently completed fiscal years is as follows:



FATHOM NICKEL INC.  
Management's Discussion and Analysis  
Three and Six Months Ended June 30, 2021

	<b>Year ended 31-Dec-20</b>	Year ended 31-Dec-19	Year ended 31-Dec-18	Year ended 31-Dec-17	Year ended 31-Dec-16
Gain/(loss) on sale of marketable securities	\$ 2,882	\$ 7,810	\$ (167,750)	\$ 210,846	\$ -
Administrative Consulting Fees	-	62,290	52,200	78,300	60,333
Share related expenses	-	-	16,782	-	60,658
Accretion expense	4,765	-	-	-	-
General expenses	29,351	14,244	37,091	56,306	63,566
Net and comprehensive earnings/(loss)	(31,234)	(68,724)	(273,823)	76,240	(184,557)
Earnings/(loss) per share - basic and diluted	(0.00)	(0.00)	(0.01)	(0.00)	(0.01)
Total assets	\$ 1,517,970	\$ 1,521,369	\$ 1,596,415	\$ 1,036,242	\$ 603,288
Long-term financial liabilities	Nil	Nil	Nil	Nil	Nil

The significant fluctuations in net and comprehensive earnings/(loss) over the five-year period leading to December 31, 2020 is predominantly explained due to four factors:

- **Gain/(loss) on sale of marketable securities.** In 2017 the Company divested of its interest in several early stage petro-lithium mineral leases in Alberta. The terms of the sale were paid in a combination of cash and shares of publicly traded E3 Metals Corp. ("E3"). The significant fluctuations (ranging from a gain of \$210,846 in 2017 to a loss of \$167,750 in 2018) was the result of the fluctuating market price of E3 stock, as well as the revaluation of the Company's holdings of these marketable securities at each balance sheet date.
- **Share related expenses.** The Company recorded share related expenses (non-cash charge) of \$60,658 and \$16,782 in 2016 and 2018, respectively, related to the issuances of stock options to certain management, directors and consultants in those years.
- **Reduction in operations in 2019 and 2020.** The Company did not undertake any material field or exploration-related work subsequent to the completion of its 2018 exploration drilling program at the Albert Lake Property. Due to a combination of a deteriorating capital markets environment and the effects of the COVID-19 pandemic, the Company was effectively in a "care and maintenance" mode from late 2019 through the balance of 2020. As a result, administrative consulting and general expenses declined each year from 2018 (\$89,291), to 2019 (\$ 76,534), to, 2020 (\$29,351).
- **Accretion expense.** In 2020 the Company recorded an accretion expense related to the conversion of \$75,000 in debentures held by certain management and directors. This was a one-time expense.

For the years ended December 31, 2020 and 2019, the Company reported no discontinued operations, and did not declare any cash dividends.

## 6. RESULTS OF OPERATIONS

Expenses	For the three months ended		For the six months ended	
	30-Jun-21	30-Jun-20	30-Jun-21	30-Jun-20
Finance expense	\$ -	\$ -	2,672,145	\$ -
Share based compensation	140,000	-	521,000	-
Legal and accounting	126,524	822	237,341	602
Advertising and promotion	9,963	-	9,963	-
Administrative consulting	58,490	-	101,390	-
External consultants	435,129	-	486,129	-
Commission, exchange and communication	51,659	-	81,205	-
Insurance	-	-	18,325	-
Web and internet	959	-	6,749	-
Travel & entertainment	4,828	747	10,237	6,807
Dues and subscriptions	-	600	1,671	2,127
Office	618	733	1,553	880
Bank charges	362	20	1,109	59
<b>Operating loss</b>	<b>828,532</b>	<b>2,922</b>	<b>4,148,817</b>	<b>10,475</b>
Gain on sale of marketable securities	-	-	-	(2,882)
Interest income	(6,627)	-	(6,627)	-
<b>Net loss and comprehensive loss</b>	<b>\$ 821,905</b>	<b>\$ 2,922</b>	<b>4,142,190</b>	<b>\$ 7,593</b>

### Analysis of Key Variances

Fathom's results of operations for Q2-21 resulted in a net and comprehensive loss of \$821,905 versus a net loss of \$2,922 for the period ended June 30, 2020 ("Q2-20"). For the 6-month period ended June 30, 2021 the Company incurred a net and comprehensive loss of \$4,142,190 (2020 - \$7,593).

The significant increase in the loss in Q2-21 compared to Q2-20 is primarily the result of the listing of the Company's shares on the CSE and the re-initiation of significant exploration activities at the Company's Albert Lake Project. Material variances include:

- *Share based compensation.* During Q1-21 the Company issued 3,000,000 options to members of the management and board, as well as certain independent consultants (Q1-20, \$nil). The options vest in three annual tranches, with initial the initial 1/3 vesting on the date of grant of March 26, 2021. During Q2-21 the Company recorded share-based compensation expense of \$140,000 (Q2-20, \$nil), based on the fair value of the options vesting over the three-month period.
- *Legal and accounting.* The Company incurred \$126,524 in legal and accounting expenses during Q2-21 (Q1-20, \$822) as it completed its initial listing on the CSE and made applications for listing on the OTCQB and the Frankfurt Stock Exchange. This also included the review of its Q1-21 financial statements by its external auditors, along with associated non-audit fees.

- Administrative consulting. Upon completion of its financing initiatives in Q1-21 and the listing of its shares on the CSE, the Company reinitiated the payment of monthly administrative consulting fees paid to the Company's President & CFO (Q2-21, \$58,490; Q2-20, \$nil) which had been temporarily eliminated in late 2019. Unless specific monthly circumstances dictate otherwise, the President's monthly consulting fee is allocated approximately 30% to the Albert Lake E&E asset (capitalized) and 70% to administrative consulting (expensed). The CFO's monthly consulting fee is allocated 100% to administrative consulting.
- External consultants. The Company incurred \$435,129 in external consulting fees related to capital markets management, investor relations and business development during Q2-21 (Q1-20, \$nil) as it retained the services of several capital markets and investor relations groups in North America and Europe.
- Commission, exchange and communication. During the quarter the Company incurred \$51,659 (Q2-20, \$nil) in expenses related to costs and fees associated with the CSE listing, SEDAR reporting, transfer agent costs, the issuance of press releases and the resultant financial and corporate disclosure.

## 7. QUARTERLY FINANCIAL INFORMATION

The following selected financial data for the past eight quarters has been prepared in accordance with IFRS and should be read in conjunction with the Corporation's audited annual financial statements:

	Quarter ended 30-Jun-21	Quarter ended 31-Mar-21	Quarter ended 31-Dec-20	Quarter ended 30-Sep-20	Quarter ended 30-Jun-20	Quarter ended 31-Mar-20	Quarter ended 31-Dec-19	Quarter ended 30-Sep-19
<b>Operations</b>								
Operating expenses	\$ 688,532	\$ 267,140	\$ 18,843	\$ 33	\$ 2,922	\$ 7,553	\$ 70,917	\$ 5,561
Finance expense	-	2,672,145	-	-	-	-	-	-
Share based compensation	140,000	381,000	-	-	-	-	-	-
Accretion expense	-	-	4,765	-	-	-	-	-
Interest income	(6,627)	-	-	-	-	-	-	-
(Gain)/loss on sale of marketable securities	-	-	-	-	-	(2,882)	(1,500)	-
Net and comprehensive loss/(income)	821,905	3,320,285	23,608	33	2,922	4,671	69,417	5,561
Per share	\$ (0.02)	\$ (0.14)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)
<b>Balance Sheet</b>								
Cash and equivalents	\$ 8,121,831	\$ 10,256,603	\$ 9,270	\$ 20,133	\$ 21,741	\$ 7,544	\$ 87,221	\$ 32,402
Exploration and evaluation assets	\$ 3,180,184	\$ 2,429,766	\$ 1,483,587	\$ 1,483,587	\$ 1,483,587	\$ 1,423,244	\$ 1,398,979	\$ 1,382,799

## **8. LIQUIDITY AND CAPITAL RESOURCES**

As at June 30, 2021, the Company had a cash position of \$8,121,831 (Q2-20, \$21,741) and net working of \$7,561,934 (Q2-20, \$17,797). The substantial increase in net working capital in the quarter is a result of the completion of the private placement financing and the closing of the special warrant financing, for combined gross proceeds of \$11,885,000 that occurred in Q1-21.

It is important to note that the net working capital figure of \$7,561,934 as at June 30, 2021 includes a current liability of \$625,863 (flow-through premium liability) that is of a temporary nature and is expected to be eliminated, for no cash or other consideration, in Q3-2021. If this liability had been eliminated at the period end financial statement date of June 30, 2021, the working capital would have increased from \$7,561,934 to \$8,187,797.

At this stage in its business model Fathom is wholly dependent on equity financing to complete the exploration, evaluation and development of its Albert Lake Property, fund its general and administrative expenses and to assess other potential mineral projects in Saskatchewan and elsewhere. See also "Risk Factors". Fathom has not generated any revenue from operations and does not expect to generate any such revenue in its current or next fiscal year. As at the date of this MD&A, Management is confident that the Company is sufficiently capitalized to fund the balance of its 2021 exploration initiatives, its winter 2022 (January to April) exploration program, and general operating expenses.

An investment in Fathom's securities is speculative, see "Risk Factors".

Fathom had no off-balance sheet arrangements as at June 30, 2021.

## **9. OUTLOOK**

Fathom is currently in the exploration stage and is subject to risks and challenges similar to companies in a comparable stage. These risks include but are not limited to: challenges of securing adequate capital in view of exploration, development and operational risks inherent in the mining and mineral exploration industries, changes in the global economic environment, and fluctuations in base and precious metals market pricing. There is no assurance that Fathom's funding initiatives will continue to be successful to fund its planned exploration activities, which are currently focused on its Albert Lake Project.

Working capital from Fathom's treasury, as available from time to time, may also be used to acquire and explore other properties either alone or in concert with others as opportunities and finances permit.

## **10. CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGEMENTS**

Fathom's interim financial statements for the period ended June 30, 2021 have been prepared using IFRS applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business. However, Fathom is in the exploration stage and is subject to risks and challenges similar to companies in a comparable stage. As a result of these circumstances, there would ordinarily be significant doubt as to the appropriateness of the going concern presumption. However, due to the significant equity capital financings completed during Q1-21, Management is confident that the going concern presumption is appropriate as at the date of this MD&A. However, there is no assurance that Fathom's funding initiatives will continue to be successful in the future and these financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be

necessary if the going concern assumption is no longer deemed to be appropriate. These adjustments could be material.

The preparation of Fathom's Q2-21 interim financial statements for the period ended June 30, 2021 required management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The Q2-21 interim financial statements include estimates, which by their nature are uncertain. The impacts of such estimates are pervasive throughout the Q2-21 interim financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The recoverability of exploration and evaluation expenditures incurred,
- The fair value of stock options issued in conjunction with the issuance of the Company's common shares and the fair value of stock options using the Black Scholes option pricing model,
- Management's assumption of no material restoration, rehabilitation and environmental costs, based on the facts and circumstances that existed during the period,
- The recoverability of deferred tax assets and liabilities,
- The going concern assumption and judgement in evaluating the existence of material uncertainties and any significant doubt regarding the Company's ability to continue as a going concern; and
- The fair value of the liability component of debt that has conversion feature or is non-arm's length.

Critical accounting judgments:

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assumptions made by management.

## **11. SIGNIFICANT ACCOUNTING POLICIES**

The Q2-21 interim financial statements have been prepared on the basis of IFRS standards that were in effect at June 30, 2021 and these accounting policies have been applied consistently to all periods presented in the Q2-21 interim financial statements. The policies described below, and estimates related to them, have the most significant effect in preparation and presentation of Fathom's financial statements.

### ***Exploration and Evaluation Asset***

- i) Pre-exploration costs

Pre-exploration costs are expensed in the year in which they were incurred. Pre-exploration costs are those incurred prior to obtaining the legal right to explore.

ii) Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation ("E&E") expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs and share based payments to employees and consultants, are expensed in the period in which they occur.

The acquisitions of mineral property interests are initially measured at cost. Mineral property acquisition costs and development expenditures incurred subsequent to the determination of the feasibility of mining operations and approval of development by the Company are capitalized until the property to which they relate is placed into production, sold or allowed to lapse.

Mineral property acquisition costs include the cash consideration and the fair market value of shares issued for mineral property interests pursuant to the terms of the relevant agreements. These costs will be amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse, or when an impairment of value has been determined to have occurred.

iii) Developed and producing properties

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as property, plant and equipment. Once commercial production has commenced, these costs are amortized using the units-of-production method based on proven and probable reserves. Production facilities and equipment are stated at cost and will be depreciated using the units-of-production method at rates sufficient to depreciate the assets over their estimated useful lives, not to exceed the life of the mine to which the assets relate.

### ***Government incentives***

The Company is entitled to the refundable Saskatchewan Targeted Mineral Exploration Incentive ("TMEI") grant as a result of incurring qualifying mineral exploration expenses in Saskatchewan. These amounts are recognized when the amount to be received can be reasonably estimated and collection is reasonably assured. Once recovered, these amounts are treated as a reduction to the carrying value of E&E properties.

## **12. ACCOUNTING ISSUES**

### ***Management of Capital Risk***

The objective when managing capital is to safeguard Fathom's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders, benefits to other stakeholders and to have sufficient funds on hand to meet its exploration and development plans to ensure the ongoing growth of the business.

Fathom considers its shareholders equity and cash and equivalents as capital. Fathom manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust capital structure, Fathom may issue new shares through private placements, repurchase shares, sell assets, incur debt, or return capital to shareholders. Fathom's working capital at June 30, 2021 was \$7,561,934 (Q2-20, \$17,797). Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration and development activities. Due to the cyclical nature of the industry, there is no guarantee that when Fathom needs to raise capital, there will be access to funds at that time.

### ***Management of Financial Risk***

Fathom is exposed to various financial instrument risks assesses the impact and likelihood of this exposure. These risks include fair value of financial instruments and commodity price risk. Where material, these risks are reviewed and monitored by the Board of Directors and they are more fully described in Note 5 to Fathom's audited annual financial statements for the year ended December 31, 2020.

## **13. CHANGES TO SIGNIFICANT ACCOUNTING POLICIES**

There have been no significant changes in accounting policies applicable for the current period.

### ***Future accounting changes***

We have assessed the following new standards and interpretations as having a possible impact on us in the future. We intend to adopt these standards and interpretations, if applicable, as at the required effective dates indicated below and are currently assessing the impact on our consolidated financial statements.

#### **1)Amendments to IAS 37 – Onerous contracts, costs of fulfilling a contract**

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual

reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied.

2)Amendments to IAS 1 – Classification of Liabilities as current or non-current

The amendments specify that the requirements for a right to be unconditional has been removed. Instead, now right to defer settlements must have substance and exist at the end of the reporting period. The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023.

**14. OUTSTANDING SHARE DATA**

Authorized: Unlimited number of common shares without a value

**Common Shares**

	<u>June 30, 2021</u>	<u>Dec 31, 2020</u>
	Number of common shares	
Authorized and issued		
Balance, beginning of the period	12,495,037	11,332,080
Issued for services(i)	-	694,207
Issued on conversion of debenture(ii)	-	468,750
Issued on completion of the RTO (Note 4)	13,295,038	-
Issued for cash(iii)	3,675,000	-
Issued on conversion of the Special Warrants	15,846,318	-
Balance, end of the period	45,311,393	12,495,037
Balance, beginning of the period	\$ 1,994,392	\$ 1,751,716
Issued for services, net of share issuance costs	-	162,911
Issued on conversion of debenture	-	79,765
Issued on completion of the RTO (Note 4).	2,659,007	-
Issued for cash	719,065	-
Issued on conversion of Special Warrants	9,922,109	-
Flow through premium liability	(625,863)	-
Balance, end of the period	\$ 14,668,710	\$ 1,994,392

**Special Warrants**

	Number of Special Warrants	
Balance, beginning of the period	-	-
Issued for cash (iv)	15,615,640	-
Issued for services(iv)	230,678	-
Converted to common shares	(15,846,318)	-
Balance, end of the period	-	-
Balance, beginning of the period	\$ -	\$ -
Issued for cash, net of share issuance costs (iv)	9,760,634	-



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Issued for services (iv)	161,475	-
Special warrant liability	(7,811,066)	-
Flow through premium liability	(625,863)	-
Transfer flow through premium to common shares	625,863	
Conversion of Special Warrants to common shares	(2,111,043)	
Balance, end of the period	\$ -	\$ -

(i) In January 2020, the Company completed the issuance of 2,776,829 common shares at \$0.06 per share in exchange for administrative and geological consulting services previously provided to the Company. The cost of the administrative and geological consulting services had been accrued in the accounts of the Company and expensed as administrative consulting fees, or capitalized as exploration and evaluation asset, based on market rates for comparable services. See Note 12, related parties.

(ii) In December 2020, the Company executed the conversion of five outstanding convertible debentures totaling \$75,000 for 1,875,000 shares at a conversion price of \$0.04 per share. Accrued interest of \$4,192 at the year end date was paid in cash to the debenture holders. See Note 12, related parties for further discussion on convertible debt.

(iii) The Company completed a private placement of 3,675,000 common shares (the "Private Placement") at a price \$0.20 per share for gross proceeds of \$735,000. The Private Placement was sold on a non-brokered basis to accredited investors. The incurred issuance costs of \$15,935 related to the private placement.

(iv) On March 15, 2021, FNI completed a brokered financing of 12,486,323 Non-Flow Through Special Warrant Units (the "NFT Special Warrant Units ") at a price \$0.70 per NFT Special Warrant Unit and, 3,129,317 Flow Through Special Warrant Units (the "FT Special Warrant Units") at a price \$0.77 per FT Special Warrant for gross proceeds of \$11,150,000. Each FT Special Warrant is exchangeable, at no additional cost, into one FNI common share. Each NFT Special Warrant Unit is exchangeable, at no additional cost, into one FNI common share and one half of one FNI share purchase warrants ("FNI Unit"). If a receipt for the final prospectus is not issued prior to the qualification deadline of May 14, 2021, then each holder of a NFT Special Warrant will be entitled to 1.15 Units per Special Warrant held instead of one (1) Unit). Each full FNI share purchase warrant entitles the holder to purchase one FNI common share at an exercise price of \$1.00 per FNI common share within two years of the Listing Date. As the number of common shares to be issued on conversion of the NFT Special Warrant Units is variable the net proceeds related to the NFT Special Warrants Units has been presented as a liability.

Each NFT Special Warrant will be deemed to be automatically exercised immediately on the earlier of:  
(i) the date that is the fifth Business Day after the date on which the receipt for a final prospectus qualifying the distribution of the NFT Shares issuable upon the exercise or deemed exercise of the NFT Special Warrants has been issued by the last of the Securities Regulators in a Designated Jurisdictions;  
and (ii) the date that is 4 months and one day after the issuance of the NFT Special Warrant.

The flow through premium liability associated with the issuance of the FT Special Warrants was calculated at \$0.20 per FT Special Warrant, based on a share price of \$0.57, which in turn was estimated using the Black-Scholes model with the following weighted average assumptions: (I) dividend yield of 0%; (II) expected volatility of 110%; (III) a risk free interest rate of 1%; (IV) an expected life of 2 years and (V) a Special Warrant price of \$0.70. Expected volatility was based on comparable companies. This resulted in a flow through premium liability of \$625,863.

In connection the issuance of the special warrants the Company paid \$1,013,551 in fees. It also issued 230,678 NFT Special Warrants issued to the Agents were valued at the NFT Special Warrant price of \$0.70 per NFT Special Warrant as described above, resulting in a fair value of \$161,475. The agents were also granted 1,071,669 broker special warrants, exercisable at a price of \$0.70 per broker warrant into one common share and ½ common share purchase warrant of FNI for a period of two years from the date of the closing of the financing, or March 15, 2023. Each whole common share purchase warrant, in turn, is exercisable into one (1) common share at a price of \$1.00 per share for a period of two years from the closing of the financing, or March 15, 2023.

The fair value of the warrants issued were estimated at the date of grant using the Black-Scholes model with the following weighted average assumptions: (I) dividend yield of 0%; (II) expected volatility of 110%; (III) a risk free interest rate of 1%; (IV) an expected life of 2 years and (V) a Special Warrant price of \$0.70. Expected volatility was based on comparable companies. This resulted in a fair value of \$0.20 per broker warrant for a total of \$214,340.

### Stock option plan

The Company has a stock option plan to provide employees, directors, officers and consultants with options to purchase common shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock on the day of grant and the maximum term of option is four years. Options vest immediately upon issuance. The maximum number of shares which may be issued under the program shall not exceed 10% of the issued and outstanding shares. The following summarizes the employees, directors, officers and consultants stock options that have been granted, exercised, expired, vested or cancelled during the quarter ended June 30, 2021:

	Number of Options Issued and Vested	Weighted Average Exercise Price
Balance, Dec 31, 2019	2,485,000	\$ 0.05
Expired	(1,485,000)	-
Cancelled	(1,000,000)	-
Balance, Dec 31, 2020	-	\$ -
Granted	3,000,000	0.70
Balance, Mar 31, 2021	3,000,000	\$ 0.70

The Company provides compensation to directors, employees and consultants in the form of stock options.

On December 31, 2020, the Company and the holders of the options granted in 2018 agreed to cancel the remaining options not yet expired.

The fair value of the options issued during the quarter were estimated at the date of grant using the Black-Scholes model with the following weighted average assumptions: (I) dividend yield of 0%; (II) expected volatility of 110%; (III) a risk free interest rate of 1%; (IV) an expected life of 5 years and (V) a common share price of \$0.50. Expected volatility was based on comparable companies. This resulted in a fair value of \$0.37 per options for a total of \$1,112,827. The options vest 1/3 at the grant date, 1/3 on 1<sup>st</sup> on the first anniversary and 1/3 on 2<sup>nd</sup> on the second anniversary.

### Warrants

Other than warrants issued in connection the special warrants there were no other warrants issued during the period or outstanding at June 30, 2021 (Q2-20, nil).

## **15. OTHER INFORMATION**

### ***Contractual Commitments***

At June 30, 2021 Fathom had the following commitments for material exploration expenditures:

- The Company has a commitment to spend \$53,300 from amounts raised through flow-through financing in 2019 on eligible Canadian exploration and development expenses. As a result of COVID-19 restrictions, on July 10, 2020 the Department of Finance announced that the time with which eligible corporations would have to incur expenditures was extended by 12 months. In the Company's case, the extension means that it must incur the eligible expenses by December 31, 2021. As at June 30, 2021, the Company had fulfilled its spending obligations on eligible expenditures related to this \$53,300 2019 flow-through financing at its Albert Lake Project.
- As described in Section 2 above and Note 8 of the interim financial statements, the Company issued 3,129,317 special warrants on a flow-through basis for gross proceeds of \$2,409,574. As a result, the Company has a commitment to spend \$2,409,574 on eligible Canadian exploration and development expenses prior to December 31, 2022. Based on Fathom's exploration plan at it's Albert Lake project during summer/autumn of 2021, it is expected that the Company will fulfill this spending obligation by December 31, 2021.
- As disclosed Note 5 (Exploration and Evaluation Asset) of the audited financial statements, the Company is required to incur annual minimum work program expenditures ranging between \$15.00 and \$25.00 per hectare in order to maintain title to the dispositions. Excess qualifying exploration expenditures can be carried forward indefinitely to be applied to future years' work requirements. At June 30, 2020, the Company fulfilled its commitment to incur qualifying expenditures through at least April 2022 in order to maintain all Albert Lake mineral dispensations in good standing.

### ***Disclosure Controls and Procedures***

Fathom's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2021. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that Fathom's disclosure controls and procedures are effective to ensure that information required to be disclosed in reports filed or submitted by Fathom under Canadian securities legislation is reported within the time periods specified in those rules.

### ***Internal Control over Financial Reporting***

Fathom's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the Chief Financial Officer, Fathom's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There has been no change in Fathom's

internal control over financial reporting during Q2-21 that has materially affected, or is reasonably likely to materially affect, Fathom's internal control over financial reporting.

***Limitations of Controls and Procedures***

Fathom's Chief Executive Officer and Chief Financial Officer believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within Fathom have been prevented or detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

### ***Related Party Transactions***

Transactions for Q2-21 and Q2-20 are disclosed and explained in Note 10 to the interim financial statements for the period ended June 30, 2021, which accompanies this MD&A.

### ***Risk Factors***

Fathom is in the exploration stage and is subject to the risks and challenges similar to other companies at a comparable stage. Other than the risks relating to reliance on future financings as previously discussed, as well as those discussed elsewhere in this MD&A, the Fathom's risks include, but are not limited to its limited operating history, the speculative nature of mineral exploration and development activities, operating hazards and risks, mining risks and insurance, no current mineral resources or reserves, environmental and other regulatory requirements, competition, stage of development, fluctuations in commodity prices, conflicts of interest, reliance on key individuals, enforcement of civil liabilities as discussed further below.

*Limited Operating History* - An investment in Fathom should be considered highly speculative due to the nature of Fathom's business. Fathom has no history of earnings, it has not paid any dividends and it is unlikely to enjoy earnings or be paying dividends in the immediate or foreseeable future.

*Speculative Nature of Mineral Exploration and Development Activities* - Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by Fathom may be affected by numerous factors which are beyond the control of Fathom and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, commodity markets and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection, the combination of which factors may result in Fathom not receiving an adequate return of investment capital.

Substantial expenditures are required to establish mineral reserves through drilling, to develop processes to extract and process and refine the minerals and, in the case of new properties to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineral deposit, no assurance can be given that minerals will be discovered in sufficient quantities and grades to justify commercial operations or that the funds required for development can be obtained on a timely basis. Estimates of mineral reserves, mineral deposits and production costs can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the quality and quantity of minerals ultimately mined may differ from that indicated by drilling results.

Fathom's Albert Lake Project is in the exploration stage only and is without known bodies of a mineral resource. The exploration programs proposed by Fathom are exploratory searches for commercial mineral deposits only. Development of any of Fathom's current or future mineral properties will only follow upon obtaining satisfactory exploration results.

Few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish mineral resources and reserves, develop metallurgical processes and construct mining and processing facilities at a particular site. There is no assurance that Fathom's mineral exploration activities will result in any discoveries of commercially minable ore bodies. Also, no assurance can be given that any or all of Fathom's properties will not be subject to prior unregistered agreements or interests or undetected claims which could be materially adverse to Fathom.

*No Mineral Resource or Reserves* - All of the Fathom properties are considered to be in the exploration stage only and do not contain a known mineral resource. Mineral resources and reserves are estimates and no assurance can be given that the anticipated mineral grades, and tonnages will be achieved or that the indicated level of recovery will be realized. Resource and reserve estimates for properties that have not yet commenced production may require revision based on actual production experience. Market price fluctuations of base and precious minerals, as well as increased production costs or reduced recovery rates may render reserves containing relatively lower grades of mineralization uneconomic and may ultimately result in a restatement of resources and/or reserves.

*Conflicts of Interest* - Certain of the Directors and Officers of Fathom are engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies and, as a result of these and other activities, such Directors and Officers of Fathom may become subject to conflicts of interest. Canadian corporate laws provide that in the event that a Director has an interest in a contract or proposed contract or agreement, the Director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under those laws. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the applicable Canadian corporate laws.

*Operating Hazards and Risks* - Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Fathom's operations will be subject to all the hazards and risks normally incidental to exploration, development and production of minerals, such as unusual or unexpected formations, cave-ins or pollution, all of which could result in work stoppages, damage to property and possible environmental damage.

*Mining Risks and Insurance* - The business of exploring for and mining base and precious minerals is generally subject to a number of risks and hazards including environmental hazards, industrial accidents, labour disputes, unusual or unexpected geological conditions, pressures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, blizzards and earthquakes. No assurance can be given that such insurance will continue to be available or that it will be available at economically feasible premiums. Mining operations will be subject to risks normally encountered in the mining business.

*Environmental and Other Regulatory Requirements* - Fathom's activities are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental

pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner, which means stricter standards and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and Directors, Officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

The exploration operations of Fathom and development and commencement of production on its properties require permits from various federal and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

Companies engaged in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. Fathom believes it is in substantial compliance with all material laws and regulations, which currently apply to its activities.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

*Competition* - Significant and increasing competition exists for the limited number of minerals exploration acquisition opportunities available. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than Fathom, Fathom may be unable to acquire additional attractive mineral properties on terms it considers acceptable. Accordingly, there can be no assurance that Fathom's exploration and acquisition programs will yield any resources or reserves or result in any commercial mining operation.

*Stage of Development* - Fathom is in the business of exploring for, with the ultimate goal of extracting and refining minerals from its mineral exploration property. Fathom's Albert Lake Property has not commenced commercial production and Fathom has no history of earnings or cash flow from its operations. As a result of the foregoing, there can be no assurance that Fathom will be able to develop any of its current or future properties profitably or that its activities will generate positive cash flow.

Fathom has not paid any dividends and it is unlikely to enjoy earnings or paying dividends in the immediate or foreseeable future. Fathom has not sufficiently diversified such that it can mitigate the risks associated with its planned activities.

A prospective investor in Fathom must be prepared to rely solely upon the ability, expertise, judgment, discretion, integrity and good faith of Fathom's management in all aspects of the development and implementation of Fathom's business activities.

*Fluctuations in Commodity Prices* - The profitability, if any, in any mining operation in which Fathom has an interest is significantly affected by changes in the market price of nickel, copper, platinum and palladium, and other base and precious metals, which fluctuate on a short-term basis and are affected by numerous factors beyond Fathom's control.

*Reliance on Key Individuals* – Fathom's success depends to a certain degree upon certain key members of the management. These individuals are a significant factor in Fathom's growth and success. The loss of the service of members of the management and certain key employees could have a material adverse effect on Fathom.

### **Corporate Governance**

Fathom's Board of Directors follows corporate governance policies to ensure transparency and accountability to shareholders.

## **16. FORWARD LOOKING STATEMENTS**

This MD&A contains forward-looking statements with respect to Fathom's expectations, estimates and projections regarding its business and the economic environment in which it operates. These forward-looking statements, by their nature, involve risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", and "believe", used by any of the Company's management, are intended to identify forward-looking statements. Such statements reflect the Company's forecasts, estimates and expectations, as they relate to the Company's views with respect to future events and are subject to certain risks, uncertainties, and assumptions. Many factors could cause the Company's performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Except as required by securities law, the Company does not intend and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events, or developments.



**DIRECTORS**

Brad Van Den Bussche  
Ian Fraser  
Mark Cummings<sup>1,2</sup>  
John Morgan<sup>1,2</sup>  
Eugene Chen<sup>1,2</sup>

<sup>1</sup> *Member of the Audit Committee*

<sup>2</sup> *Member of the Compensation Committee*

**LEGAL COUNSEL**

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**BANKERS**

Bank of Montreal  
CIBC

**AUDITORS**

BDO Canada LLP

**CONSULTING GEOLOGISTS**

TerraLogic Exploration Inc.  
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**OFFICERS**

Brad Van Den Bussche, President & CEO  
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