



FATHOM NICKEL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2021

(Expressed in Canadian Dollars)

Report Date – May 2, 2022

FATHOM NICKEL INC.
Management's Discussion and Analysis
Year Ended December 31, 2021

*The following Consolidated Management's Discussion and Analysis ("MD&A") dated May 2, 2022 is in respect of the year ended December 31, 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 audited consolidated financial statements for years ended December 31, 2021 and 2020 ("**2021 audited consolidated financial statements**"), together with the notes thereto. The Company's 2021 audited consolidated 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.*

The Company's registered and records office is located at suite 730 – 521-3rd Ave SW Calgary, Alberta, T2P 3T3, Canada. Additional information relating to the Company can also be found on the Company's website at www.fathomnickel.com or on the SEDAR website at www.sedar.com.

This MD&A was approved by the board of directors of Fathom on May 2, 2022.

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 Fathom 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**", "**Fathom**" or "**FNI**").

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 located in Saskatchewan, Canada.

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 December 31, 2021, the Company had working capital of \$7,345,773 (including cash of \$8,087,554) and E&E asset of \$5,519,697.

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. OVERALL PERFORMANCE AND HIGHLIGHTS OF THE YEAR

2021 was a transformative year for Fathom. After five years as a privately-owned mineral explorer, the Company was able to take advantage of improved capital markets conditions and an increasing investor interest in battery metals-focused companies. Significant events occurring during the year ended December 31, 2021 included:

- Completion of a private placement in February for gross proceeds of \$735,000.
- Proceeds from the private placement were used to fund a small winter drill program at the Albert Lake Project that resulted in the Island Showing Area Discovery - the first ever intersection of significant ultramafic, nickel sulphide mineralization outside of the historic Rottenstone deposit area. The winter 2021 drill program also demonstrated the extension of the Rottenstone deposit mineralization south of historic mine.
- The Company expanded the Albert Lake Project land base to over 90,000 hectares through direct staking, positioning the company with a significant and controlling interest in a developing nickel camp.
- On March 15 the Company closed its upsized initial public offering ("IPO") financing for gross proceeds of \$11.15 million.
- The Company completed its IPO in May and its shares began trading on the Canadian Securities Exchange ("CSE") on May 25. The CSE was followed by a listing on the Frankfurt Stock Exchange in June and the OTC in July.
- Completed a summer/fall exploration program that consisted of systematic exploration including airborne and ground geophysical surveys, geological mapping, soil geochemistry and drilling. Data collected and analyzed from the summer/fall program led to the continued development of a growing list of priority exploration targets at the Albert Lake Project.
- On November 29 the Company closed a flow-through financing for gross proceeds of \$4.0 million.

Events Subsequent to Year End

- The Company completed a 3,900 meter winter drill program in early April. The winter drill program led to the discovery of a new mineralized zone 450m northwest of the historic Rottenstone mine, at the Island Showing Area. This discovery has further developed into the "Bay Area Conductive Corridor". The Bay Area Conductive Corridor will be a priority area for exploration work for the balance of 2022.

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 PROPERTY - Albert Lake Project

The Albert Lake Project comprises 28 mineral claims covering an aggregate area of 90,144 hectares located in the La Ronge Mining District of Saskatchewan, approximately 135km north-northeast of the town of La Ronge. consists of a past producer (Rottenstone Mine) of nickel-copper-platinum group elements (Ni, Cu, PGE) and a modern exploration project. The center of the property is located at 104° 49' 33" longitude west and 56° 20'39" latitude north.

Geological Setting and History

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 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 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, layered calc-silicate, melanocratic biotite-hornblende-plagioclase rich metasedimentary/metavolcanic rocks, along with amphibolite. The ultramafic intrusions, host to the Rottenstone deposit and other known ultramafic occurrences occur within metasedimentary rocks (the supracrustal rocks).

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, among the richest of any deposit of its type mined in Canada. It has been suggested that 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 at the Albert Lake Project dates back to 1929, when the original Rottenstone outcrop was discovered on the shores of Rottenstone Lake. There was very intermittent exploration from 1929 through the early 1960s. The Rottenstone Mine was put into production based on a non-compliant resource estimate of 45,000 tons of 2% Ni, 1% Cu and 5.5 g/t Pt-Pd. Approximately 26,000 tonnes of material was mined at reported grades of 3.28% nickel, 1.83% copper and 9.63 g/t platinum-palladium + gold¹. From 1970 to 2015 limited exploration was undertaken by various exploration companies.

Acquisition by Fathom

Rights to the Albert Lake Project were acquired by Fathom in June 2015 through two separate Purchase and Sale Agreements. Each Purchase and Sale Agreement contained a provision for net smelter return royalty ("NSR"). In January 2022 (subsequent to year end), Fathom acquired one of NSR's for a cash payment of \$175,000 (See Notes 7 and 15 of the 2021 audited consolidated financial statements). The

¹ Source: Saskatchewan Mineral Deposit Index #0958. The reliability of the historical data and resource estimate presented here cannot be confirmed by the authors, nor can the assumptions, parameters and methods used to prepare the estimates. The estimate is not considered NI 43-101 Compliant by the definition of a "mineral resource" and further work is required to verify the historical estimate as a current mineral resource. Furthermore, records suggest (Saskatchewan Mineral Deposit Index #0958) that some of this historical resource has been exploited making a delineation of this mineral resource impossible. Fathom Nickel is not treating the historical estimate as a current mineral resource.

second NSR remains in place. It provides a 1% NSR royalty over 2 claims totaling 856 Ha (<1% of the project area). This NSR can be purchased in its entirety at Fathom's option for \$500,000.

From 2016 through 2021 the Company acquired additional mineral dispositions through staking directly with the Government of Saskatchewan's Department of Energy and, in one circumstance, through a 3rd party claim holder. At year end, and at the date of this MD&A, the Company held 28 contiguous claims totaling 90,144 hectares.

Between 2015 and 2019 as a privately held company with limited operating and exploration budgets, Fathom focused on compiling the historic database, data interpretation, updating geological models, obtaining exploration permits, and completing limited drill programs. These initiatives led to the identification of numerous exploration targets within a fully permitted project in place for when the company became publicly listed and financing was available.

2021 Exploration Program Update

Fathom conducted a winter exploration program on the Albert Lake Property in February and March 2021 consisting of:

- The re-opening of the 14-person camp originally constructed in 2018 situated adjacent 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 drilling completed in 2003. The final drillhole was a follow-up to an off-hole borehole electromagnetic ("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 electromagnetic ("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:

- Confirmation of an extension to the historic high-grade Ni-Cu-Co + PGE Rottenstone deposit (the "**Rottenstone Extension**"), a minimum 40m south-southwest. The mineralized extension includes 18.1 g/t Pt associated with 1.71% Ni, 1.21% Cu, 0.05% Co, 1.94 g/t Pd over 1.01m (7.22% NiEq).
- Discovery of new, ultramafic mineralization 550m northwest of the historic Rottenstone Mine (the "**Island Showing Area Discovery**"). BHEM survey in the 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.
- Updated metallurgical assay work on a bulk sample collected in 2017. In addition to the grades and recoveries reported in 2017, four of the coarse reject samples were analyzed for

FATHOM NICKEL INC.
Management's Discussion and Analysis
Year Ended December 31, 2021

rhodium (Rh), osmium (Os), iridium (Ir) and ruthenium (Ru) returned an average grade of 0.20 g/t Rh, 0.13 g/t Os, 0.11 g/t Ir and 0.06 g/t Ru.

In April 2021, a 9,000 line-kilometer heliborne gradient MAG survey was conducted at 100m line spacing on the entire project area.

From June through October 2021 Fathom conducted a summer/fall exploration program consisting of:

- Geological mapping, prospecting and a B-horizon soil geochemistry survey in the vicinity of the historic Rottenstone mine, along trend and within what the Company recognizes as a favourable structural corridor.
- The collection of 216 rock samples for analysis.
- The collection of 4,375 B-horizon soil geochemistry samples.
- Extension of the winter 2021 gravity survey resulting in 347 additional data stations.
- Completion of surface EM over select areas.
- Continuation of BHEM surveys in 10 historical drillholes.
- thirteen NQ-size drillholes were completed (AL21026 – AL21038), amounting to 3,102m drilled.
- All summer/fall 2021 drillholes were probed by BHEM.
- X-ray fluorescence ("XRF") litho-geochemistry was completed on all summer-fall 2021 drillholes; XRF surveying on historic drillholes was initiated.
- Geological mapping identified new target areas where favourable host stratigraphy, notably supracrustal rocks similar to the host stratigraphy at the historic Rottenstone deposit, occur along trend to the north-northeast and south of the historic mine. Preliminary soil geochemistry results from the 2021 survey, incorporated with historic soil geochemistry results (2002 and 2018) has highlighted numerous areas and zones of coincident magmatic nickel pathfinder elements (Ni, Cu, Co + Cr, Mg).

Significant results from the summer/fall exploration program include:

- Anomalous Ni, Cu and/or PGE mineralization was detected in 11 of the 13 holes completed in the program.
- Rottenstone-like stratigraphy was identified in a 13-meter interval in hole AL21029 (located in "the Dime Area"). Significant intercepts in this interval included 4,200ppm Ni and 1.25 g/t Pd-Pt+Au over a 1.17-meter interval.
- Within the Island Showing trend, drillhole AL21033 has defined a robust off-hole BHEM conductor 130.0 meters south of drillhole AL21021 and its associated mineralization and BHEM conductivity.

Events Subsequent to Year End

Fathom conducted a winter drilling program on the Albert Lake Property between mid-January and March, 2022 consisting of:

- 21 NQ-size drillholes were completed (AL21039 – AL21057), amounting to 3,900m drilled.
- 15 drillholes were focused in the newly defined Bay Area Conductive Corridor (developed from the Island Showing Area discovery).

Significant results include²:

- Magmatic nickel mineralization occurs within the Bay Area Conductive Corridor, located 450m west/northwest of the high-grade, historic Rottenstone deposit. The significance of this new discovery is proof that the high-grade Rottenstone deposit originated from a larger source.
- The Bay Area Conductive Corridor exceeds 300m in strike and remains open in both directions.
- 15 drill holes were drilled within the corridor and each drill hole intersected nickel, grading up to 3.07% NiEq.
- Eight of the drillholes from the program intersected significant nickel and nickel equivalent values over drilled intervals up to 13.27m.
- Drill hole AL22052 displayed the best overall results to date with 3.54m at 1.68% NiEq (1.09% Ni, 0.42% Cu, 0.068% Co and 0.75g/t Pt, Pd & Au) within a 13.27m zone at 1.00% NiEq (0.62% Ni, 0.29% Cu, 0.039% Co and 0.62g/t Pt, Pd & Au).
- Three drill holes visually match the net-texture mineralization of the "Rottenstone style" mineralogy. These results, plus other magmatic nickel textures recognized within the corridor could potentially define the outer edges of Rottenstone-like deposits (the original Rottenstone mine was contained in a mineralized body measuring only 50mx40mx10m, yet yielded some of the highest grades of Ni-Cu + PGE ever mined in Canada).
- Drillholes AL22057 through AL22054A defines a zone of nickel mineralization approximately 185 meters in strike. This mineralization occurs at downhole depths of 97.55 meters and 144.48 meters, respectively. dips.
- Additionally, both near surface and deeper high-priority borehole electromagnetic ("BHEM") targets within and outside the corridor need to be drill tested.

Exploration Plan for the Balance of 2022

Fathom has budgeted an additional \$2 million to continue exploration from June 2022 through the balance of the year. This next phase of exploration is expected to consist of the following activities:

- Drilling and associated activities (up to 2,500m).
- Heliborne EM survey over areas of priority focus.

² Note where nickel equivalent is used in this section (NiEq% = Ni% + Cu% x \$4.50/\$11.00 + Co% x \$30.00/\$11.00 + Pt [g/t]/31.103 x \$1,050/\$11.00/22.04 + Pd [g/t]/31.103 x \$2400/\$11.00/22.04 + Au [g/t]/31.103 x \$1,900/\$11.00/22.04)

FATHOM NICKEL INC.
Management's Discussion and Analysis
Year Ended December 31, 2021

5. E&E ASSET DETAILS

Following is a breakdown of the Company's change in E&E asset from December 31, 2020 through December 31, 2021. As the Albert Lake Property is the Company's only E&E asset, all expenditures and balances presented herein relate to the Albert Lake Property.

Exploration & Evaluation Asset (Albert Lake Property)				
	As at			As at
	<u>31-Dec-20</u>	<u>Additions</u>	<u>Dispositions</u>	<u>31-Dec-21</u>
Leases and tenures	\$ 109,953	\$ 35,120	-	\$ 145,073
Geological consulting - Internal	309,623	203,586	-	513,209
G&A support - Internal	2,493	-	-	2,493
Geological and engineering consulting	193,546	571,693	-	765,239
Camp supplies and support	-	570,940	-	570,940
Field supplies and support	476,840	124,875	-	601,715
Geophysical field work	99,248	592,372	-	691,620
Drilling	205,705	715,754	-	921,459
Field and camp labour	-	70,337	-	70,337
Assays and analysis	93,095	168,397	-	261,492
Helicopter and fixed wing support	-	813,151	-	813,151
Construction and roads	-	14,305	-	14,305
ESG consulting	-	36,392	-	36,392
Travel, lodging and supplies	43,084	169,187	-	212,271
TMEI incentive - Saskatchewan	(50,000)	(50,000)	-	(100,000)
E&E Total - Albert Lake Property	\$ 1,483,587	\$ 4,036,110	\$ -	\$ 5,519,697

FATHOM NICKEL INC.
Management's Discussion and Analysis
Year Ended December 31, 2021

A breakdown of the Company's change in E&E Asset for the prior year is presented below.

Exploration & Evaluation Asset (Albert Lake Property)				
	As at			As at
	<u>31-Dec-19</u>	<u>Additions</u>	<u>Dispositions</u>	<u>31-Dec-20</u>
Leases and tenures	\$ 42,568	\$ 67,385	-	\$ 109,953
Geological consulting - Internal	309,623	-	-	309,623
G&A support - Internal	2,493	-	-	2,493
Geological and engineering consulting	176,323	17,223	-	193,546
Field supplies and support	476,840	-	-	476,840
Geophysical field work	99,248	-	-	99,248
Drilling	205,705	-	-	205,705
Assays and analysis	93,095	-	-	93,095
Travel, lodging and supplies	43,084	-	-	43,084
TMEI incentive - Saskatchewan	(50,000)	-	-	(50,000)
E&E Total - Albert Lake Property	\$ 1,398,979	\$ 84,608	\$ -	\$ 1,483,587

6. SUMMARY OF SELECTED ANNUAL FINANCIAL INFORMATION

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

	Year ended 31-Dec-21	Year ended 31-Dec-20	Year ended 31-Dec-19
Gain on sale of marketable securities	\$ -	\$ (2,882)	\$ (7,810)
Interest income	(19,314)	-	-
Flow through premium renounced	(625,863)	-	-
Finance expense	2,672,145	-	-
Share based compensation	936,368	-	-
Administrative consulting fees	235,371	-	62,290
Accretion expense	-	4,765	-
General expenses	1,558,721	29,351	14,244
Net and comprehensive loss	<u>\$ 4,757,428</u>	<u>\$ 31,234</u>	<u>\$ 68,724</u>
Loss per share - basic and diluted	0.12	0.00	0.00
Total assets	\$ 14,388,994	\$ 1,517,970	\$ 1,521,369
Long-term financial liabilities	\$ 261,247	\$ Nil	\$ Nil

The dramatic increase in net and comprehensive loss for the year ended December 31, 2021 in comparison to 2020 and 2019 is entirely the result of the Company's public listing and the three equity financings that were completed in 2021. Specific, material changes in the year include:

- **Interest income.** Upon completion of the IPO financing in March 2021 the Company invested a significant portion of the net proceeds in a short-term, bank guaranteed investment account. This account generated interest income of \$19,314 during the year. There was no interest income in previous years as the Company held no material cash balances prior to March 2021.
- **Flow through premium renounced.** When the Company raises equity through the issuance of common shares on a flow through basis, it is generally completed at a premium to the price that investors would pay for non-flow through shares. This premium is initially recognized as a

FATHOM NICKEL INC.
Management's Discussion and Analysis
Year Ended December 31, 2021

flow-through share liability. However, it is subsequently reversed into the statement of loss and comprehensive loss as a recovery of deferred income taxes when the eligible expenditures are incurred and renounced to investors. As a result of the renunciation of \$2,409,574 in flow-through expenditures during 2021, the Company reversed the \$625,863 flow through premium. There were no comparable amounts recorded as income in 2019 and 2020. It should be noted that the flow through premium renounced was a non-cash income item recorded in the statement of loss and comprehensive loss.

- **Finance expense.** The Company recorded a one-time finance expense of \$2,672,145 as a result of the completion of the RTO of FNI by FML in January 2021. It should be noted that this finance expense was a non-cash charge to the statement of loss and comprehensive loss.
- **Share based compensation.** The Company recorded share based compensation (non-cash charge) of \$936,368 in 2021. This was the first issuance of stock options since 2018, hence no similar charges in either 2019 or 2020.
- **Administrative consulting fees.** 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 declined from 2019 (\$62,290) to 2020 (\$nil) before increasingly dramatically to \$235,371 as the result of the financings, public listing and increased exploration activities that occurred in 2021.
- **General expenses.** For the same reasons as described above for administrative consulting fees, general expenses increased dramatically in 2021 to \$1,558,721 as compared to 2020 (\$29,351) and 2019 (\$14,244). See Section 7, *Results of Operations* for a discussion regarding the variances between 2020 and 2021.

For the years ended December 31, 2021 and 2020, the Company reported no discontinued operations and did not declare any cash dividends.

7. RESULTS OF OPERATIONS

Expenses	For the years ended	
	31-Dec-21	31-Dec-20
Finance expense	\$ 2,672,145	\$ -
Share based compensation	936,368	-
Investor relations and capital markets consulting	618,129	-
Legal and accounting	352,031	13,900
Advertising and promotion	236,471	-
Administrative consulting fees	235,371	-
Exchange, transfer agent and commission fees	145,575	-
Insurance	67,626	-
Travel and entertainment	66,573	7,287
Market making services	28,000	-
Telecommunications	11,300	-
Shareholder communications	7,907	-
Dues, fees and subscriptions	7,030	2,127
Office supplies	6,394	1,731
Depreciation	4,671	-
Bank charges	3,746	114
Office rent	1,344	-
Interest on lease liability	857	-
Courier	614	-
Loss on currency exchange	453	-
Interest	-	4,192
Operating loss	<u>\$ 5,402,605</u>	<u>\$ 29,351</u>

Analysis of Key Variances

Fathom incurred an operating loss of \$5,402,605 in 2021 versus an operating loss of \$29,351 for 2020.

The momentous increase in the loss in 2021 compared to 2020 is entirely the result of the re-initiation of significant exploration activities at the Company's Albert Lake Project (which began in Q1-21 and continued through the end of 2021) as well as sharply higher general and administrative expenses related to both supporting the exploration activities and managing and promoting a publicly listed company. Material variances include:

- Finance expense and share based compensation. See Section 6, *Summary of Selected Annual Financial Information* for a description of the changes for these items.
- Legal and accounting. The Company incurred \$352,031 in legal and accounting expenses during 2021 (2020, \$13,900). This expense related to the costs associated with the completion

FATHOM NICKEL INC.
Management's Discussion and Analysis
Year Ended December 31, 2021

of the RTO in May 2021, the completion of the annual audits and accounting related to the RTO, quarterly reviews of the Company's interim financial statements and general legal 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 which had been temporarily eliminated in late 2019. Administrative consulting fees for 2021 totaled \$235,371 (2020, \$nil). 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.
- *Advertising and Promotion.* The Company incurred \$236,471 in advertising and promotion expenses related to social media and traditional media promotional activities during 2021 (2020, \$nil). These initiatives were specifically targeting Canadian, European and US-based potential investors subsequent to the listing of the Company's shares on the CSE, OTCQB and the Frankfurt Stock Exchange.
- *External consultants.* The Company incurred \$646,129 in external consulting fees related to capital markets management, market making services and investor relations and business development during 2021 (2020, \$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 year the Company incurred \$145,575 (2020, \$nil) in expenses related to costs and fees associated with the CSE listing, OTC listing, SEDAR reporting, transfer agent costs, the issuance of press releases and the resultant financial and corporate disclosure. No such expenditures were incurred in 2020 as the Company was still private during that year.
- *Insurance.* During 2021 the Company incurred \$67,626 (2020, \$nil) in insurance costs as a result of the placement of Directors and Officers insurance policy and a general corporate policy. The policies were paid in full in June 2021 and were recorded as deposits and prepaids and are expensed on a quarterly basis. No were no such policies in place in 2020.
- *Travel and entertainment.* During the year the Company incurred \$66,573 (2020, \$7,287) in travel and entertainment expenses. The expenditures related to investor promotional activities and corporate activities. There were limited travel expenses in 2020 while the Albert Lake Property was in a care and maintenance status.

FATHOM NICKEL INC.
Management's Discussion and Analysis
Year Ended December 31, 2021

Use of Proceeds from Financings

Following is a summary of the Use of Proceeds from the Company's March 15 and November 29 financings, together with a comparison of actual spending to December 31, 2021 and estimated spending to May 2, 2022, the date of this MD&A.

	Stated Use of Proceeds			Estimated to		Variance	
	15-Mar-21	[a]	29-Nov-21	[b]	Total		2-May-22
G&A for next 12 months	\$ 1,587,000		-		\$ 1,587,000	\$ 1,693,678	\$ 106,678
Albert Lake Exploration	5,500,000		4,000,000		9,500,000	5,639,926	(3,860,074)
Strategic review of other projects	1,000,000		-		1,000,000	30,000	(970,000)
Cash, unallocated working capital	1,130,018		-		1,130,018	5,423,414	4,293,396
Financing related expenses [d]	-		(430,000)		(430,000)	-	430,000
	\$ 9,217,018	\$ 3,570,000	\$12,787,018		\$ 12,787,018	\$ -	

[a] From the Company's Final Prospectus date May 13, 2021.
[b] From the Company's Final Short Form Prospectus date November 22, 2021.
[c] Estimated based on actual results to December 31, 2021 and estimated expenditures to the date of the MD&A.
[d] The Use of Proceeds for the March 15, 2021 financing is already net of financing expenses.

Material variances include:

- **Albert Lake Exploration.** As at the MD&A date, the Company had spent approximately \$3.86 million less on exploration work at Albert Lake than indicated in the combined uses of proceeds. As indicated in the May 13, 2021 Final Prospectus, it was anticipated that \$2.5 million would be spent in 2022.
- **Strategic Review of Other Projects.** The Company had estimated that a total of \$1 million would be used for strategic reviews of other projects. While the Company has reviewed (and continues to review) numerous complementary or other projects, the vast majority of the work has been performed internally, resulting in only \$30,000 being spent on external consultants.
- **Cash and Unallocated Working Capital.** As a result of the lower cash spend on both Albert Lake and strategic reviews, the Company currently has approximately \$4.3 million more than provided for in the combined Uses of Proceeds.

FATHOM NICKEL INC.
Management's Discussion and Analysis
Year Ended December 31, 2021

8. 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 2021 audited consolidated financial statements:

	Quarter ended 31-Dec-21	Quarter ended 30-Sep-21	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
Operations								
Operating expenses	\$ 438,351	\$ 400,068	\$ 688,532	\$ 267,141	\$ 18,843	\$ 33	\$ 2,922	\$ 7,553
Finance expense	-	-	-	2,672,145	-	-	-	-
Share based compensation	273,868	141,500	140,000	381,000	-	-	-	-
Accretion expense	-	-	-	-	4,765	-	-	-
Interest income	(5,221)	(7,466)	(6,627)	-	-	-	-	-
Flow through premium renounced	(625,863)	-	-	-	-	-	-	-
(Gain)on sale of marketable securities	-	-	-	-	-	-	-	(2,882)
Net and comprehensive loss	81,135	534,102	821,905	3,320,286	23,608	33	2,922	4,671
Per share	\$ (0.00)	\$ (0.01)	\$ (0.02)	\$ (0.14)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Balance Sheet								
Cash and equivalents	\$ 8,087,554	\$ 8,121,831	\$ 10,256,603	\$ 9,270	\$ 20,133	\$ 21,741	\$ 7,544	\$ 87,221
Exploration and evaluation assets	\$ 5,519,697	\$ 3,180,184	\$ 2,429,766	\$ 1,483,587	\$ 1,483,587	\$ 1,483,587	\$ 1,423,244	\$ 1,398,979

9. FOURTH QUARTER EVENTS AND RESULTS

Financial highlights of the quarter ended December 31, 2021 ("Q4-21") include:

- During Q4-21 the Company completed an equity offering of 10,000,000 common shares issued on a flow through basis at a price per share of \$0.40 for gross proceeds of \$4,000,000.
- The Company added \$1,024,095 to the E&E asset through work at the Albert Lake Project during the quarter bringing the capitalized balance of E&E asset to \$5,519,697 at December 31, 2021.
- During the quarter the Company fulfilled its obligation to spend \$2,409,574 on eligible exploration expenditures related to flow through funds raised in its March 2021 IPO financing. It also incurred \$154,880 of eligible exploration expenditures related to flow through funds raised in its November 2021 financing. The Company is therefore required to spend \$3,845,120 on eligible exploration expenditures by December 31, 2022.
- Fathom incurred a net and comprehensive loss of \$81,135 during Q4-21. It is important to note that the loss for the quarter included (non-cash) income of \$625,863 as a result of the renunciation of the flow through premium related to the March 2021 IPO financing.

10. LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2021, the Company had a cash position of \$8,087,554 (December 31, 2020, \$9,270) and net working capital of \$7,345,773 (December 31, 2020, working capital deficit of \$3,321). The substantial increase in net working capital in the year relative to the prior year is a result of the completion of the private placement financing, the closing of the special warrant financing, for combined gross proceeds of \$11,885,000 that occurred in Q1-21 and the flow-through equity financing for gross proceeds of \$4,000,000 that occurred in Q4-21.

It is important to note that the net working capital figure of \$7,345,773 as at December 31, 2021 includes a current liability of \$1,000,000 (flow-through premium liability) that is of a temporary nature and is expected to be eliminated, for no cash or other consideration during fiscal 2022. If this liability had been eliminated at the period end financial statement date of December 31, 2021, the working capital would have increased from \$7,345,773 to \$8,345,773.

At this stage in its business model Fathom is wholly dependent on equity financings 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 2022 exploration initiatives, and its ongoing general operating expenses.

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

Fathom had no off-balance sheet arrangements as at December 31, 2021.

11. 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.

12. CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS

Fathom's 2021 audited consolidated financial statements 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 net working capital of \$7,345,773 (see Section 10, above), 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 the 2021 audited consolidated 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 2021 audited consolidated financial statements in compliance with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the 2021 audited consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The 2021 audited consolidated financial statements include estimates, which by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 2021 audited consolidated 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.

Critical accounting estimates:

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the 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 fair value of stock options issued using the Black Scholes option pricing model;

- Management 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; and
- The Company finances some exploration and evaluation expenses through the issuance of flow-through shares and flow-through special warrants. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. The difference ("premium") between the amounts recognized in common shares and the amount the investors pay for the shares is recognized as a flow-through share related liability which is reversed into the statement of loss and comprehensive loss as a recovery of deferred income taxes when the eligible expenditures are incurred. The amount recognized as a flow-through share liability represents the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares, net of allocated issue costs.

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.

Management has determined that exploration and evaluation costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, scoping and feasibility studies, accessibility of facilities and existing permits in order to determine if there are indicators of impairment.

13. SIGNIFICANT ACCOUNTING POLICIES

The 2021 audited consolidated financial statements have been prepared on the basis of IFRS standards that were in effect at December 31, 2021 and these accounting policies have been applied consistently to all periods presented in the 2021 audited consolidated financial statements. The policies described below, and estimates related to them, have the most significant effect in preparation and presentation of Fathom's 2021 audited consolidated 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.

14. 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 December 31, 2021 was \$7,345,773 (December 31, 2020, working capital deficit of \$3,321). 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 2021 audited consolidated financial statements.

15. 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.

16. OUTSTANDING SHARE DATA

Authorized: Unlimited number of common shares without a value

The following chart summarizes the number of securities outstanding at year end and as at the date of this MD&A.

	Outstanding as at December 31, 2021	Outstanding as at May 2, 2022
Common shares	55,311,393	55,311,393
Warrants ⁽¹⁾	6,358,500	6,358,500
Broker compensation warrants	1,071,669	1,071,669
Options	3,000,000	4,200,000
RSUs	115,000	115,000
Broker warrants	700,000	700,000

(1) Includes 535,849 warrants underlying the Compensation Warrants issued in March 2021.

17. OTHER INFORMATION

Contractual Commitments

At December 31, 2021 Fathom had the following commitments for material exploration expenditures:

- The Company had 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 meant that it must incur the eligible expenses by December 31, 2021. As at December 31, 2021, the Company had fulfilled its spending obligations on eligible expenditures related to this \$53,300 2019 flow-through financing obligation at its Albert Lake Project.
- As described in Note 10 of the 2021 audited consolidated financial statements, on March 15, 2021 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. As at December 31, 2021, the Company had fulfilled its spending obligations on eligible expenditures related to this \$2,409,574 flow-through financing obligation at its Albert Lake Project.
- As described in Note 10 of the 2021 audited consolidated financial statements, on November 29, 2021 the Company issued 10,000,000 common shares on a flow-through basis for gross proceeds of \$4,000,000. As a result, the Company has a commitment to spend \$4,000,000 on eligible Canadian exploration and development expenses prior to December 31, 2022. Based on Fathom's exploration plan at its Albert Lake project during 2022, it is expected that the Company will fulfill this spending obligation by December 31, 2022.
- As disclosed Note 7 (Exploration and Evaluation Asset) of the 2021 audited consolidated 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. The Company is required to incur annual qualifying expenditures of \$590,140 in each of the next five years in order to maintain all dispositions in good standing. However, based on available expenditures carried-forward from prior years, the minimal required expenditure for 2022 is \$nil.
- Effective December 1, 2021 the Company entered into a lease for office space. Pursuant to the lease the Company is committed to pay monthly basic rent plus additional rent (the proportionate share of costs incurred in the operation, maintenance, management and supervision of the property). The lease provides for a fixturing period of ten months during which no cash rental payments are required. Monthly cash rental payments will commence in October 2022 and extend through December 2027. Annual commitments under the lease are:

FATHOM NICKEL INC.
Management's Discussion and Analysis
Year Ended December 31, 2021

<u>Year ending</u>	<u>Base Rent</u>	<u>Additional Rent</u>	<u>Total</u>
31-Dec-21	\$ -	\$ -	\$ -
31-Dec-22	3,089	9,648	12,737
31-Dec-23	16,991	38,756	55,748
31-Dec-24	17,378	39,415	56,793
31-Dec-25	19,115	40,085	59,200
2026+	42,671	82,051	124,722
Total	\$ 99,245	\$ 209,955	\$ 309,200

Note: Additional rent is indexed based on forecast increases in CPI over the period.

The office lease is recorded as a *Right to use asset* and *Lease liability* as described in Note 8 of the 2021 audited consolidated financial statements.

Related Party Transactions

The following related party transactions occurred and were charged in the 2021 audited consolidated financial statements during the years ended December 31, 2021 and 2020 as follows:

	Dec 31, 2021	Dec 31, 2020
Administrative consulting fees were charged by officers for corporate administrative and financial management services	\$ 235,371	\$ Nil
Consulting fees were charged by officers for geological management of the Company's exploration and evaluation asset	\$ 188,469	\$ Nil
Legal fees charged by a law firm of which a director of the Company is a partner	\$ 434,989	\$ Nil

Amounts accrued and paid as administrative consulting fees are expensed in the Statement of Loss as administrative consulting fees. Amounts accrued and paid as geological consulting fees are capitalized to the exploration and evaluation asset account. Legal fees associated with equity financings are disclosed as a share issuance cost and recorded as a reduction to share capital. Legal fees on account of general corporate and other non-financing matters are expensed in the Statement of Loss as legal and accounting fees.

FATHOM NICKEL INC.
Management's Discussion and Analysis
Year Ended December 31, 2021

At year end, the Company owed the respective holding companies owned by officers of the Company for administrative and geological consulting fees \$nil (December 31, 2020, \$nil). At year end the Company owed the law firm of which a director of the Company is a partner \$6,031 (December 31, 2020, \$nil).

The Company issued 2,776,829 common shares in January 2020 to settle a portion of the amount due to officers of the Company, see Note 10 share capital of the 2021 audited consolidated financial statements.

	Dec 31, 2021	Dec 31, 2020
Due to directors	\$ Nil	\$ 1,991
Convertible debentures	Nil	Nil
	\$ Nil	\$ 1,991

At year end, the Company owed a director of the Company \$nil (2020, \$1,991) related to the initial capitalization of the Company. This amount owing bears no interest and has no stated terms of repayment.

On June 9, 2020, the directors and an officer of the Company loaned the Company a total of \$75,000 by way of five convertible debentures. The debentures bore interest at a rate of 10% per annum and were convertible, at the option of the debenture holder, into common shares of the Company at a price of \$0.04 per share. The debentures matured on December 31, 2021, if not previously converted. On December 31, 2020, all debentures were converted into 468,750 shares of the Company and accrued interest of \$4,192 was paid in cash to the debenture holders.

The fair value of the liability component of the convertible debentures of \$60,000 was measured by calculating the present value of the cash flows using market rate of 15.5%. This resulted in residual amount of \$15,000 allocated to the equity component. The Company recorded \$4,765 of accretion expense from the date of issuance to the date of conversion.

Financial Instruments

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on 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);
- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash and cash equivalents is recorded at fair value based on a Level 1 designation.

Fair value less costs of disposal, when used to test the recoverable amounts of exploration and evaluation assets is based on a Level 3 valuation model.

FATHOM NICKEL INC.
Management's Discussion and Analysis
Year Ended December 31, 2021

There were no changes to the fair value designations for the above financial instruments during the year.

Cash and cash equivalents:

Cash and cash equivalents include cash and highly liquid investments with a maturity of three months or less from the purchase date. As at December 31, 2021, the balance was comprised of cash in bank.

Common shares:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

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.

18. 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^{1,2}
John Morgan^{1,2}
Eugene Chen^{1,2}

¹ *Member of the Audit Committee*

² *Member of the Compensation Committee*

OFFICERS

Brad Van Den Bussche, President & CEO
Ian Fraser, Vice President Exploration
Doug Porter, CFO

EXECUTIVE OFFICE

Fathom Nickel Inc.
Suite 730, 521 – 3RD Avenue SW
Calgary, Alberta T2P 3T3

Telephone: (403) 870-4349

LEGAL COUNSEL

McLeod Law LLP

BANKERS

Bank of Montreal

AUDITORS

BDO Canada LLP

CONSULTING GEOLOGISTS

TerraLogic Exploration Inc.
Cranbrook, BC