

**Class 1 Nickel & Technologies Limited  
(Formerly Lakefield Marketing Corporation)**

**Management's Discussion and Analysis –  
Quarterly Highlights**

**For the Three and Six Months Ended June 30, 2020**

# **CLASS 1 NICKEL & TECHNOLOGIES LIMITED**

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**Dated: August 31, 2020**

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## **MANAGEMENT’S DISCUSSION AND ANALYSIS THREE AND SIX MONTHS ENDED JUNE 30, 2020**

*The following Management Discussion and Analysis (“MD&A”) of the financial condition and results of operations of Class 1 Nickel & Technologies Limited (formerly Lakefield Marketing Corporation) (“Class 1” or the “Company”) was prepared by management as at August 31, 2020 and was reviewed and approved by the Audit Committee. The following discussion of performance, financial condition and future prospects should be read in conjunction with the audited consolidated financial statements of Class 1 and notes thereto for the three and six months ended June 30, 2020. The information provided herein supplements but does not form part of the financial statements. All amounts are stated in Canadian dollars unless otherwise indicated. Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).*

### **CAUTION REGARDING FORWARD LOOKING STATEMENTS**

*Certain statements contained in this document constitute forward-looking 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. 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.*

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## NATURE OF BUSINESS

### The Company

Class 1 was incorporated on December 12, 1989 as “871900 Ontario Limited” under the *Business Corporations Act* (Ontario). The Company's head office and registered office is located at 82 Richmond Street East, Toronto, Ontario M5C 1P1. Class 1 was formerly named “Lakefield Marketing Corporation” until it completed a business combination transaction (the “**Transaction**”) with Legendary Ore Mining Corporation on September 24, 2019, whereby it changed its name to “Class 1 Nickel and Technologies Limited”.

On August 20, 2020, the Company commenced trading on the Canadian Securities Exchange under the symbol “NICO”.

### Principal Business

The Company is engaged in the business of mineral exploration and the acquisition of mineral property assets in Canada. Its objective is to locate and develop economic base metal properties of merit and to conduct its exploration program on the Alexo-Dundonald Project. The Company currently beneficially owns 100% of the Alexo-Dundonald Project.

The Company intends to fund the exploration of the Alexo-Dundonald Project and its initial commitments thereon using the proceeds of the Pre-Listing Financing.

## CORPORATE HIGHLIGHTS

On April 22, 2020, the Company closed a non-brokered private placement of 9,500,000 common shares of the Company at \$0.10 per share for gross proceeds of \$950,000. A director of the Company subscribed for 6,000,000 shares in the placement.

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## **RESULTS OF OPERATIONS**

### **Three months ended June 30, 2020 compared to three months ended June 30, 2019**

The Company recorded a comprehensive loss of \$289,842 compared to \$4,500 in the prior period. The increase in spending is attributable to the fact that in the prior period Class 1 was not operational. During the year ended December 31, 2019, the Company completed a 3-way transaction that resulting in Class 1 becoming an operating exploration entity. As a result, during the three months ended June 30, 2020, the Company has incurred operating expenses of \$271,018 and exploration expenditures of \$18,824 on its Alexo-Dundonald Project.

### **Six months ended June 30, 2020 compared to six months ended June 30, 2019**

The Company recorded a comprehensive loss of \$458,076 compared to \$9,090 in the prior period. The increase in spending is attributable to the fact that in the prior period Class 1 was not operational. During the year ended December 31, 2019, the Company completed a 3-way transaction that resulting in Class 1 becoming an operating exploration entity. As a result, during the six months ended June 30, 2020, the Company has incurred operating expenses of \$380,896 and exploration expenditures of \$77,180 on its Alexo-Dundonald Project.

Quarterly results vary in accordance with the Company's exploration, financing and noncash expenses. The Company's professional fees vary in each quarter depending on financing activities being undertaken.

## **LIQUIDITY AND CAPITAL**

As at June 30, 2020, cash on hand was \$605,714 as compared to \$174,204 at December 31, 2019. The increase is due to an equity financing during April 2020, offset by operating and exploration spending occurred in the period.

### *Going concern uncertainty*

At each reporting period, management assesses the basis of preparation of the financial statements. These financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. These financial statements do not include any adjustments to amounts and classifications of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

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For the six months ended June 30, 2020, the Company incurred a net loss of \$458,076, respectively (six months ended June 30, 2019 - \$9,090 ) and had negative operating cash flows of \$415,912. The Company has an accumulated deficit of \$2,024,203 since inception (December 31, 2019 - \$1,566,128) and does not have sufficient cash as at June 30, 2020 to meet its expected obligations over the next twelve months. These factors raise significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to generate cash flows from operations and to complete negotiations to obtain and successfully close additional funding from debt financing, equity financings or through other arrangements. These conditions indicate the existence of a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern. 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 were the going concern assumption deemed to be inappropriate. These adjustments could be material.

While the Company has been successful in obtaining financing to date, there can be no assurance that it will be able to do so in the future on terms favorable for the Company. The Company may need to raise additional capital to fund operations. This need may be adversely impacted by uncertain market conditions, approval by regulatory bodies, and adverse results from operations. The Company believes it will be able to acquire sufficient funds to cover planned operations through the next twelve months by securing additional financing through additional private placements if required. The outcome of these matters cannot be predicted at this time.

## **TRANSACTIONS WITH RELATED PARTIES**

As at June 30, 2020, the Company has \$117,227 in amounts due from a company with common directors of Class 1. The amounts are accrued in the normal course of operation at their exchange value.

Key management includes directors and other key personnel, including the CEO, President and CFO, who have authority and responsibility for planning, directing, and controlling the activities of the Company.

The Chief Executive Officer of the Company has received cash remuneration of \$45,000 for the three and six months ended June 30, 2020 (June 30, 2019 - \$nil). There is no amounts payable as at June 30, 2020.

The Chief Financial Officer ("CFO") of the Company is a senior employee of Marrelli Support Services Inc. ("MSSI"). During the three and six months ended June 30, 2020, the Company paid or accrued professional fees of \$11,468 and \$19,131, respectively (three and six months ended June 30, 2019 - \$2,000) to MSSI. These services were incurred in the normal course of operations for general accounting and financial reporting matters. MSSI also provides bookkeeping services to the Company. As at June 30,

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2020, MSSSI was owed \$2,270 (December 31, 2018 - \$nil) with respect to services provided. The balance owed was recorded in the statement of financial position in accounts payable.

## **OFF BALANCE SHEET ARRANGEMENTS**

The Company is not a party to any off-balance sheet arrangements or transactions.

## **ACCOUNTING POLICIES**

### **New standards not yet adopted**

#### *Definition of a Business (Amendments to IFRS 3)*

The IASB has issued Definition of a Business (Amendments to IFRS 3) to clarify the definition of a business for the purpose of determining whether a transaction should be accounted for as an asset acquisition or a business combination. The amendments:

- clarify the minimum attributes that the acquired assets and activities must have to be considered a business
- remove the assessment of whether market participants can acquire the business and replace missing inputs or processes to enable them to continue to produce outputs
- narrow the definition of a business and the definition of outputs
- add an optional concentration test that allows a simplified assessment of whether an acquired set of activities and assets is not a business

This amendment is effective for annual periods beginning on or after January 1, 2020. The Company has adopted this policy during the three months ended March 31, 2020, and there was no material impact to the condensed interim financial statements.

#### *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period"
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability

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- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2022. There is currently a proposal in place to extend effective date for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

## **CAPITAL MANAGEMENT**

The Company's shareholders' equity comprises its capital under management. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk level.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

There have been no changes to the Company's approach to capital management during the period ended June 30, 2020. The Company is not subject to externally imposed capital requirements.

## **OUTSTANDING SHARE DATA AS OF REPORT DATE**

As of the date of this MD&A, the Company had 99,764,144 commons shares outstanding. There are no other equity instruments outstanding.

## **SUBSEQUENT EVENTS**

In August 2020, the Company issued an aggregate of 234,935 common shares (valued at \$160,000) to satisfy all outstanding share issuances required by the Company to earn a 100% undivided interest from Quebec Precious Metals Corporation in the Somanike Property.

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## **RISKS AND UNCERTAINTIES**

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR ([www.sedar.com](http://www.sedar.com)).

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position.

Additional risk factors can be reviewed in the “Financial Risks” note disclosure in the Company’s December 31, 2019 year end audited financial statements filed on SEDAR.

In March 2020 the outbreak of the novel strain of coronavirus, specifically identified as “COVID 19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID 19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions.

The Company has not experienced material operational impacts as a result of the local and federal lockdowns, however management continues to monitor and assess the on-going pandemic and item current and potential future impacts on the operations of the Company.