VICTORY NICKEL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019

DATED APRIL 29, 2021

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The following discussion of the results of operations, financial condition and cash flows of Victory Nickel Inc. ("Victory Nickel" or the "Company") prepared as of April 29, 2021 consolidates management's review of the factors that affected the Company's financial and operating performance for the years ended December 31, 2020 and 2019, and factors reasonably expected to impact on future operations and results. This discussion is intended to supplement and complement the Company's consolidated financial statements for the years ended December 31, 2020 and 2019 (the "2020 Consolidated Financial Statements") and the notes thereto, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

Certain information and discussion included in this management's discussion and analysis ("MD&A") constitutes forward-looking information. Readers are encouraged to refer to the cautionary notes contained in the section Forward-Looking Statements at the end of this MD&A.

The 2020 Consolidated Financial Statements are available at www.sedar.com and at the Company's website www.victorynickel.ca. All amounts disclosed are in United States dollars ("US$" or "US dollars") unless otherwise stated as Canadian dollars ("CAD$") or Australian dollars ("AU$"). All tabular amounts are in thousands of US dollars.

Common shares of the Company trade on the Canadian Securities Exchange ("CSE") under the symbol NI.

COMPANY OVERVIEW

The Company was formed on February 1, 2007 as an exploration and development mineral resources company primarily engaged in the acquisition, exploration, evaluation and development of nickel projects and associated products in Canada.

As at December 31, 2020, Victory Nickel owns 100% of four advanced sulphide nickel projects: the Minago, Lynn Lake (under option to Corazon Mining Ltd. ("Corazon"), an Australian public company (ASX: CZN)) and Mel projects in Manitoba, and the Lac Rocher project in Québec. The Minago project is the Company's most advanced nickel project.

On February 9, 2021, Victory Nickel sold its Minago nickel property in northern Manitoba to Silver Elephant Mining Corp. ("Silver Elephant") under the terms of the asset purchase agreement ("APA"). This transaction benefitted the Company as follows:

- the amount of secured debt on the balance sheet was substantially decreased and became non-interest bearing;
- the cash position was enhanced through the completion of a private placement financing on closing;
- further liquidity was secured in the form of Silver Elephant common shares to be received over the course of 2021, along with the potential receipt of additional Silver Elephant shares contingent on the future performance of the nickel price;
- and the Company retained a right of first refusal on the Minago frac sand resource.

More details are included below, in *Going Concern* and elsewhere in this MD&A.

The Company's decision to enter the frac sand business was initially based on the need to generate cash flow and the desire to highlight the value of frac sand, which can be sold into the oil & gas industry, as a co-product at its Minago nickel project in Manitoba. Based on the Minago FS, approximately 11 million tonnes of frac sand exist within the Minago pit footprint. The pit footprint represents only a small portion of the Minago property. Under the APA, Victory Nickel retained a right of first refusal on the frac sand resource at Minago.

Since 2014, Victory Nickel, and its wholly-owned subsidiary Victory Silica Ltd. ("Victory Silica"), has been a producer and supplier of frac sand from its frac sand plant (the "7P Plant") located near Seven Persons, Alberta, approximately 18 kilometres southwest of Medicine Hat, Alberta. Frac sand is used as a proppant to enhance recovery from oil and gas wells. The 7P Plant comprises a wash plant with a nominal capacity of approximately 120,000 tons per annum ("tpa") and a fully-operational dry plant with a nominal capacity of 500,000 tpa.

To ensure supply of a variety of sand products, the Company entered into an option to acquire a 100% interest in a frac sand land package totalling over 300 acres in Trempeleau County, Wisconsin, USA (the "Bear Coulee Property"). The option is valid for six months from receipt of permits with two equivalent extensions available under certain circumstances. Prior to production the Company will be required to pay $40,000 per annum as an advance royalty on the initial 20,000 tons of sand production. If the Bear Coulee Property is put into production, the Company will be required to pay a royalty of $2.00 per ton of frac sand sold from the property. In February 2015, the Company announced that a resource estimate of approximately 11 million tons of sand has been completed by Summit Envirosolutions Inc. on the Bear Coulee Property and was incorporated into a National Instrument 43-101 technical report.

Further to the strategy of providing a full suite of sand products, in October 2018 the Company entered into an option agreement (the "Exploration and Option Agreement") "with Short Grass Ranches Ltd. (the "Owner") giving the Company the option to mine frac sand from one of the Owner's properties (the "Short Grass Property"). Under the terms of the Exploration and Option Agreement, the Company had a 180-day period to evaluate the Short Grass Property and exercise its right to develop a commercial frac sand mine (the "Option"). On April 5, 2019, the Owner was notified of the exercise of the Option.

On February 6, 2020, Victory Silica executed an agreement (the "Non-Metallic Mineral Rights Agreement") with the Owner to develop a commercial frac sand mine. The initial term of the Non-Metallic Mineral Rights Agreement is for five years with the ability to extend for additional five-year terms and will pay the Owner a royalty for net frac sand sold from the Short Grass Property. The Non-Metallic Mineral Rights Agreement gives the Company the potential to produce in-basin domestic sand which has grown in popularity in North America as a means for the Company's customers and potential customers to reduce their overall frac cost. Any sand mined from the Short Grass Property would be trucked to the 7P Plant for processing and sale alongside existing inventory.

Going Concern

These 2020 consolidated financial statements have been prepared using Generally Accepted Accounting Principles ("GAAP") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. As at December 31, 2020, the Company had a working capital deficiency of $13,445,000, calculated as current assets less current liabilities, a decrease from a working capital deficiency of $20,643,000 as at December 31, 2019 mostly due to the Company's *Mine property and development project* being reclassified as an *Held for sale asset* and interest accrued on debt. At December 31, 2020, the current loans and borrowings and accrued interest of $22,066,000 were the largest factor in the Company's working capital deficiency.

The Company's main assets are its nickel projects. Minago is the most advanced of its projects. Subsequent to December 31, 2020, the Company sold its Minago property to Silver Elephant, as discussed further below. However, the Company's total obligations still exceed the current carrying amount of its assets.

Subsequent to year-end, following the sale of Minago, restructuring of the Secured Debt (see details below) and the success in generating $5,750,000 in liquidity, the Company announced it had engaged a financial advisor to assist the Company with restructuring options related to the Company's unsecured debt. At this time, it is unclear what steps will be required to restructure the existing debt, but could include investment in the frac sand business to broaden the product offerings to increase competitiveness, further asset sales or alternative sources of financing such as issuing additional debt or equity. There are no assurances that the Company will be able to restructure its remaining unsecured debt and there is no certainty as to what further steps, if any, the debtors, or the Company, will take.

Cash flows from frac sand sales during 2019 and 2020 were not sufficient to pay financing costs and the Company was not able to make most of its interest payments due. The near-term outlook in the frac sand market remains unclear.

During 2016, the Company restructured its debt (the "Debt Restructuring Agreement") with holders of promissory convertible notes and trade creditors, by issuing shares of the Company and unsecured promissory convertible notes ("Promissory Convertible Notes").

During 2016, all of the Promissory Convertible Note holders participated in the Debt Restructuring Agreement, except for one holder of a $3,000,000 promissory convertible note (the "Outstanding Note"). In March 2016, the Company announced that it had received notice that the holder of the Outstanding Note had filed a statement of claim concerning non-payment of principal and interest. The Company has reviewed the statement of claim with legal counsel to assess its impact on the Company and has concluded that there is no significant impact on the status of the Company's debt. The Outstanding Note matured in July 2016 and the Company has been unable to repay the amounts owing and interest payments due, which has resulted in the Company defaulting on the Outstanding Note.

The Company has not made interest payments due on any of its Promissory Convertible Notes, which has resulted in the Company defaulting on these notes. The Company at its election may pay the accrued interest in shares.

On February 9, 2021, Silver Elephant acquired 100% of Victory Nickel's debt held by the Secured Lender, upon sale of the Minago property, and restructured the Secured Debt in accordance with the APA as follows:

- A credit of $6,675,000 against the balance of the Secured Debt owed by Victory Nickel;
- The balance of the Secured Debt will be non-interest bearing;
- The balance of the Secured Debt will mature on February 9, 2026 and will automatically be extended in 5-year increments; and
- A credit on the remainder of the balance owing under the Secured Debt, upon receipt of an independent economic study in respect of the Minago project proving positive net present value.

The APA also provides consideration to Victory Nickel which includes:

- $5,000,000 Silver Elephant common shares issued in three tranches over a one-year period;
- CAD$1,000,000 subscription by Silver Elephant for the purchase of Victory Nickel commons shares;
- An agreement to issue Victory Nickel CAD$2,000,000 Silver Elephant commons shares, upon the price of nickel exceeding US$10.00 per pound for 30 consecutive business days on or before December 31, 2023; and,
- A right of first refusal, exercisable by Victory Nickel until December 31, 2023, with respect to the exploration of sandstone (non-nickel bearing sulphides) resources at Minago.

Per guidelines from the province of Alberta, the 7P Plant is considered an essential service and is therefore able to continue operations; the Company intends to continue to operate the 7P Plant for the foreseeable future. Throughout the evolution of the COVID-19 pandemic, the Company's head office personnel in Toronto have been working remotely and all staff in Ontario and Alberta has complied with applicable provincial and federal regulations and guidelines. The Company will continue to monitor the COVID-19 situation and adapt as necessary.

Management continues to advance its program to supplement existing sand inventory with domestic Canadian "in-basin" sand supply. Given the current situation as it relates to COVID-19, the timeline to development and sand production from the Short Grass Property, defined below, remains to be determined.

During 2020, the Company cut non-essential costs in an effort to reduce operating losses and deferred payments wherever possible. To date, management and the board of directors have reduced and/or deferred salaries and director fees until business recovers, but there is no certainty that this will continue. Management salary reductions and/or deferrals put the Company at risk of being unable to retain key personnel.

In addition to the above liquidity issues, the Company is subject to the risks and challenges experienced by other companies at a comparable stage. These risks include, but are not limited to, continuing losses, dependence on key individuals and the ability to secure adequate financing or to complete corporate transactions to meet the minimum capital required to successfully fund its projects and operating expenses.

None of the Company's mining projects have commenced commercial production and, accordingly, the Company is dependent upon debt or equity financings, the optioning and/or sale of resource or resource-related assets or interests, exploration results which have the potential for the discovery of economically-recoverable reserves and resources, and/or the ability to generate sufficient cash flow from its other operating activities for its funding. Development of the Company's current nickel mining projects to the production stage will require significant financing. Given the current economic climate and the Company's existing liquidity challenges, the ability to raise sufficient funds will be difficult.

Should the Company not be able to overcome the risks described in this section, the carrying value of the Company's assets would be subject to material adjustment and, in addition, other adjustments may be necessary to these consolidated financial statements should such adverse events impair the Company's ability to continue as a going concern as contemplated under GAAP. There is no certainty that the Company will be able to generate sufficient cash to fund its activities including debt servicing, project expenditures and corporate costs. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis, which would differ significantly from the going concern basis.

OUTLOOK

2020 was very challenging, remarkable and unique. In a year when the COVID-19 pandemic put severe pressure on all facets of society and necessitated that businesses adjust their strategies given the uncertain and constantly changing global outlook, the efforts of Victory Nickel's Board of Directors and management generated liquidity which positions the Company to tackle the next phase of debt restructuring and move forward in 2021 to the benefit of all stakeholders.

In the third quarter it was announced that a third-party financial advisor had been engaged to manage a formal process to improve the Company's capital structure. The process progressed until the first quarter of 2021 when the Company successfully completed the sale of its Minago property to Silver Elephant (the "Silver Elephant Transaction") concurrent with Silver Elephant acquiring 100% of the Company's Secured Debt. The Secured Debt was restructured to be non-interest bearing and was also significantly reduced to approximately $5,400,000.

The goal of the Board of Directors and management for the past several years has been to preserve value for all stakeholders of Victory Nickel while at the same time creating a platform that would allow for growth of the business. This was achieved with the completion of the Silver Elephant Transaction. As detailed elsewhere in this MD&A, entering 2021 the Company has:

- substantially reduced the amount of the Secured Debt with the opportunity to extinguish the remaining debt without cash payment;
- dramatically increased liquidity with CAD$1,000,000 cash consideration on closing of the Silver Elephant Transaction and an additional $5,000,000 over the course of 2021 in Silver Elephant shares;
- the potential to receive an additional CAD$2,000,000 in Silver Elephant shares conditional on the performance of the price of nickel; and,
- retained a right of first refusal on the frac sand resource at Minago.

In addition to reduced debt, increased liquidity and a revenue-generating frac sand operation, one can't neglect the value of the Mel and Lac Rocher sulphide nickel properties. Well-located in Manitoba and Quebec, these projects combine to give the Company significant sulphide nickel resources and exploration upside in a market where "energy metals" which are needed to support the electric vehicle revolution, including sulphide nickel, are increasingly in demand.

Sadly, in March of 2021 René Galipeau, a founding director of the Company and its first CEO, passed away. Rene was a creative leader and a man of great integrity who, in business, always put employees and shareholders first. He is greatly missed.

Optimistically, part of René's legacy is that 2021 finds the Company financially better positioned than has been the case for some time and the Board of Directors and management look forward to a year of positive developments. We thank our shareholders, lenders and suppliers for their continued patience and support.

RESULTS OF OPERATIONS

For the year ended December 31, 2020	Corporate	Exploration and Development	Frac Sand	Total
Revenues	$ -	$ -	$ 450	**$ 450**
Cost of goods sold	-	-	(922)	**(922)**
Gross loss	-	-	(472)	**(472)**
Operating expenses				
General and administrative	(553)	(12)	(231)	**(796)**
Shared-based payments	(77)	-	-	**(77)**
Amortization of property, plant and equipment	-	-	(433)	**(433)**
Writedown of mine property and development project	-	(1,542)	-	**(1,542)**
Writedown of exploration and evaluation projects	-	(17)	-	**(17)**
Operating loss	(630)	(1,571)	(1,136)	**(3,337)**
Finance income	15	-	-	**15**
Finance costs	(2,822)	-	-	**(2,822)**
Net finance costs	(2,807)	-	-	**(2,807)**
Net loss for the year	$ (3,437)	$ (1,571)	$ (1,136)	**$ (6,144)**

For the year ended December 31, 2019	Corporate	Exploration and Development	Frac Sand	Total
Revenues		$ -	$ 461	$ 461
Cost of goods sold	-	-	(746)	(746)
Gross loss	-	-	(285)	(285)
Operating expenses				
General and administrative	(569)	(28)	(220)	(816)
Amortization of property, plant and equipment	-	-	(602)	(602)
Writedown of mine property and development project	-	(17)	-	(17)
Writedown of exploration and evaluation projects	-	(18)	-	(18)
Operating loss	(569)	(63)	(1,107)	(1,738)
Finance income	13	-	-	13
Finance costs	(2,859)	-	-	(2,859)
Net finance costs	(2,846)	-	-	(2,846)
Net loss for the year	$ (3,415)	$ (63)	$ (1,107)	$ (4,584)

Overall

For the year ended December 31, 2020, the Company had a net loss of $6,144,000 or a loss of $0.06 per share (December 31, 2019 - $4,584,000 or $0.05 per share). The following narrative discusses the relevant operations of the Frac Sand and Exploration and Development segments first, and then addresses the corporate segment.

Frac Sand Segment

The Company holds inventory in excess of 11,000 tons as at December 31, 2020 (December 31, 2019 – 17,000 tons) at various stages of the process and made sales of 6,038 tons of various grades of frac sand during 2020 (2019 – 5,497 tons) by drawing down inventories and/or brokering sand, generating a gross loss of $472,000 (2019 – $285,000).

Revenues

The Company recognized revenue on frac sand sales during 2020 aggregating $450,000, or $74.53 per ton, on frac sand sales (2019 - $461,000, or $83.86 per ton). Revenue includes freight for sales delivered to certain customers at certain times.

Cost of goods sold
The cost of goods sold includes the cost of sand purchased from third-parties, the cost of delivery to the 7P Plant including handling and trans-loading costs and the operating cost to wash, dry and screen the sand. Cost of goods sold may also include sand purchased from third parties. These costs are capitalized as a component of inventory on a normalized basis and are charged to cost of goods sold when title to the product passes to the customer. Cost of goods sold may also include any write-down or recovery of impairment of inventory values to the lower of cost or net realizable value.

The cost of goods sold was $922,000 during 2020 (2019 - $746,000) including an inventory writedown of $286,000 to net realizable value (2019 - $147,000). The 7P Plant continues to operate on an as-needed basis, resulting in higher operating costs per ton of product produced than what is expected on a continuous operating basis. The Company has reduced manpower to a level sufficient to start production as demand returns on a consistent basis.

Costs per ton are per dry ton, unless otherwise stated.

Gross profit (loss)
The 7P Plant generated a gross loss during 2020 and 2019 due to the factors noted above.

General and administrative and other costs
General and administrative costs for the frac sand segment amounted to $231,000 for the year ended December 31, 2020 (2019 - $220,000). These costs include salaries, administration, marketing and logistics management. The Company reduced manpower and overhead as noted above.

Amortization of property, plant and equipment of $433,000 was recorded for the year (2019 - $602,000), for items in use at the 7P Plant.

Net loss
All of the above items combined to produce a net loss for the frac sand segment of $1,136,000 for the year ended December 31, 2020 (2019 – $1,107,000).

Exploration and Development Segment
At December 31, 2020, the Company recorded an impairment of $17,000 on its exploration and evaluation projects (2019 - $18,000) and $1,542,000 on its mine, property and development project (2019 - $17,000).

Corporate Segment
The corporate component of net loss for the year ended December 31, 2020 was $3,437,000 (2019 – $3,415,000), including operating expenses of $630,000 (2019 - $569,000) and net finance costs of $2,807,000 (2019 – $2,846,000). Operating expenses include non-cash share-based payments of $77,000 in 2020 (2019 - $ nil).

General and administrative expenses were $553,000 during 2020 (2019 - $569,000). These costs include statutory costs incurred as a public company, general investor relations expenses, consulting, travel, health benefits, salaries and director costs.

Net finance income (costs)
The Company considers financing activities to be part of the Corporate segment.

Finance costs were $2,822,000 for 2020 (2019 - $2,859,000), representing the Company's most significant expense. Cash and accrued interest expense were $2,606,000 for the year ended December 31, 2020 (2019 - $2,108,000). The increase in interest expense during 2020 compared with 2019 is mainly related to the compounding of interest outstanding on various debts.

The Company has several tranches of Promissory Convertible Notes issued. There are several elements of finance costs associated with these notes: accrued and cash-settled interest expense, non-cash amortization of loan fees, non-cash amortization of the embedded derivatives related to the value of the convertibility feature, the change in the fair value of the embedded derivatives, and the non-cash amortization of the present value discount on the Promissory Convertible Notes. All amortizable elements are calculated using the effective interest rate method. As at December 31, 2020, the amortization of the embedded derivatives on the Promissory Convertible Notes amounted to $47,000 (2019 - $454,000).

The embedded derivatives are calculated using the Black-Scholes option-pricing methodology and are a function of share price, the conversion price, risk-free interest rate, length of time to expiry and share price volatility as well as the US dollar exchange rate for loans denominated in US dollars, but convertible using a Canadian dollar price. All other things being equal, one would expect the value of the option to decline as time approaches the expiry date. However, because of the volatility of exchange rates and the Company's share price, this may not always be the case. At December 31, 2020, all notes have passed their maturity. As such, all discounts and embedded derivatives have been fully amortized. The conversion rights have expired.

Other finance costs include interest accrued on accounts payable overdue of $91,000 during 2020 (2019 - $85,000).

Income tax expense (recovery)

The Company does not allocate income taxes between segments. The Company has significant deferred tax assets that do not meet the criteria for recognition and as a result, did not record a tax recovery. Certain components of finance income and finance costs are not taxable, and their volatility has an apparent effect on the effective income tax rate.

Other comprehensive income

Other comprehensive income ("OCI") for the year ended December 31, 2020 relates to the net change in fair value of financial assets of $1,000 (2019 - $38,000). These changes are a result of the net market value changes and/or gain or loss in the sale of the Company's marketable securities. The company sold a majority of its marketable securities for $149,000 during 2019. There were no sales of marketable securities during 2020.

Deferred tax asset

Deferred income tax assets and liabilities arise from temporary differences between the carrying value of the balance sheet items and their corresponding tax values, as well as for the benefit of losses available to be carried forward to future years for tax purposes that are considered probable to be realized. The deferred tax amount reflects a rate of 27% (2019 – 27%).

SUMMARY OF QUARTERLY RESULTS

Selected financial information for each of the last eight quarters is as follows:

(in thousands of United States dollars)

Fiscal year 2020	**4th Quarter**	**3rd Quarter**	**2nd Quarter**	**1st Quarter**
Sales	$ 86	$ 56	$ 51	$ 257
Gross loss	$ (368)	$ (18)	$ (58)	$ (28)
General and administrative	$ (211)	$ (222)	$ (208)	$ (155)
Net finance costs	$ (948)	$ (962)	$ (535)	$ (362)
Net loss	$ (3,255)	$ (1,318)	$ (913)	$ (658)
Total comprehensive loss	$ (3,254)	$ (1,318)	$ (913)	$ (658)
Loss per share - basic and diluted	$ (0.03)	$ (0.01)	$ (0.01)	$ (0.01)
Fiscal year 2019	**4th Quarter**	**3rd Quarter**	**2nd Quarter**	**1st Quarter**
Sales	$ 54	$ 56	$ 190	$ 161
Gross (loss) profit	$ (343)	$ 30	$ 34	$ (6)
General and administrative	$ (224)	$ (207)	$ (243)	$ (142)
Net finance costs	$ (785)	$ (625)	$ (744)	$ (692)
Net loss	$ (1,545)	$ (944)	$ (1,112)	$ (983)
Total comprehensive loss	$ (1,555)	$ (929)	$ (1,139)	$ (923)
Loss per share - basic and diluted	$ (0.02)	$ (0.01)	$ (0.01)	$ (0.01)

The gross profit or loss includes cost of goods sold, which contain operating costs for a full period despite production being at less-than-full capacity. During the last quarter of 2020 and 2019, the Company recorded an impairment on inventory to net realizable value. During the last quarter of 2020, the Company recorded an impairment on the valuation of its Mine Property and Development project.

Net finance income and costs have fluctuated period-over-period during 2019 and 2020, due to changes in foreign exchange gain or loss, change in the fair value of the embedded derivatives, and amortization of embedded derivatives and loan fees on the Promissory Convertible Notes.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2020, the Company had a working capital deficiency of $13,445,000, compared with a working capital deficiency of $20,643,000 as at December 31, 2019. The increase in the working capital deficiency resulted mostly due to the Company's *Mine property and development project* being reclassified as an *Held for sale asset* and interest accrued on debt

Participating Interest

Pursuant to a participating interest loan (the "Participating Interest") with Nuinsco Resources Limited (or the "Lender"), the Lender converted its outstanding balance into a limited participating interest (the "Conversion"), whereby the Lender is entitled to receive a share of cash flows earned from the sale of frac sand from the 7P Plant. The Conversion constituted payment of the loan in full. This obligation will be settled through a 52.16% participation in net operating cash flows from the frac sand business after recoupment of capital costs for phase one and pre-operating expenses. The participation is capped at CAD$7,667,124 provided the Company proceeds with phase two (see FRAC SAND SEGMENT below for a description of phases one, two and three), otherwise the cap is approximately CAD$10,222,831. Distributions under the Participating Interest terms are calculated based on operating cash flow after recovery of capital and pre-operating costs and take into account working capital. Given the operating losses incurred since 2014, it is not likely that any payments will be made on the participating interest. As a result, at December 31, 2020, the carrying value of the Participating Interest was $1,000, compared with $1,000 at December 31, 2019. Any change in value is recorded through Finance Income or Cost in the statement of operations. The Company will continue to reassess the carrying value of the Participating Interest as circumstances warrant.

Secured Debt

As at December 31, 2019, the Secured Debt of $7,050,000 had a maturity date of January 31, 2020. On January 31, 2020, the Secured Debt increased by the amount of working capital advances and unpaid interest to $10,009,000, and the maturity date was extended to July 31, 2021. The interest rate on the Secured Debt and additional loans remained unchanged at 14.8% with interest payable in arrears.

The Secured Debt is due in full on the date of maturity, subject to a cash sweep of 75% of free cash flow ("Free Cash Flow") payable within 45 days following the end of each fiscal quarter and 90 days from each fiscal year end. Free Cash Flow will be calculated based on the Company's quarterly unaudited and annually audited consolidated statement of cash flows, as net cash from operating and investing activities, plus interest and lease payments from financing activities. Allowable investing activities must be approved in advance by the Secured Lender.

In addition, the Company has agreed to not make any payments to settle past unsecured debt prior to the repayment of the Secured Debt, without the Secured Lender's approval.

On February 9, 2021, Silver Elephant acquired 100% of Victory Nickel's debt held by the Secured Lender, upon sale of the Minago property, and restructured the Secured Debt in accordance with the APA as follows:

- A credit of $6,675,000 against the balance of the Secured Debt owed by Victory Nickel;
- The balance of the Secured Debt will be non-interest bearing;
- The balance of the Secured Debt will mature on February 9, 2026 and will automatically be extended in 5-year increments; and
- A credit on the remainder of the balance owing under the Secured Debt, upon receipt of an independent economic study in respect of the Minago project proving positive net present value.

Promissory Convertible Notes

During 2016, the Company announced that it had restructured a portion of its debt through private placements of common shares and Promissory Convertible Notes, in settlement of current indebtedness to certain of its unsecured lenders and trade creditors.

The Company has not made any interest payments due on its Promissory Convertible Notes, which has resulted in the Company defaulting on these notes.

Promissory Convertible Note Holders

The Promissory Convertible Notes have the following terms:

- A maturity date of July 31, 2018 or January 31, 2020;
- An interest rate of 7% per annum, payable annually or at any time in cash or in common shares valued at market, at the option of the Company;
- Convertible at CAD$0.25 per share, at the option of the holder, in which the conversion rights expired on July 31, 2018 or January 31, 2020; and
- Holders of the Promissory Convertible Notes will also receive one common share purchase warrant for every four common shares acquired upon conversion of the Promissory Convertible Notes, with an exercise price of CAD$0.50 per share, exercisable for a five-year period from the date of conversion.

Debt Owed to Directors and Management

Current directors and management deferred payment, until January 31, 2020, of all outstanding debt and director fees accumulated up to July 31, 2019. As a result, the long-term debt of $398,000 owed to current and previous directors and management is comprised of a portion of the restructured debt owed to current and previous directors and management amounting to CAD$224,000, and unpaid director fees incurred by current directors during 2016, 2017, 2018 and the first half of 2019 totalling CAD$283,000.

Outstanding Note

During 2016, all of the then holders of promissory convertible notes participated in the Debt Restructuring Agreement except for the one holder of the Outstanding Note of $3,000,000. In March 2016, the Company announced that it had received notice that the holder of the Outstanding Note had filed a statement of claim concerning non-payment of principal and interest. The Company has reviewed the statement of claim with legal counsel to assess its impact on the Company and has concluded that there is no significant impact on the status of the Company's debt. Pursuant to the terms of the Secured Debt, the Company is prevented from making payments under outstanding unsecured debt until the Secured Debt is repaid. As a result, the Company has not paid interest accrued on the Outstanding Note. The Outstanding Note matured in July 2016 and the Company has been unable to repay the amounts owing and interest payments due. This has resulted in the Company defaulting on the Outstanding Note.

Other loans with Secured Lender

During 2019 and 2020, the Company's Secured Lender has provided working capital advances to ensure the protection of the Company's core assets. These loans also bear interest at 14.8% per annum and are secured by a general security agreement over the Company's assets.

Canada Emergency Business Account ("CEBA")

In April 2020, the Government of Canada implemented the CEBA, whereby certain businesses could apply for an interest-free loan of up to CAD$40,000 to help cover their operating costs. The Company applied for, and received, this loan during April 2020. Up to 25% of the loan will be forgiven if repaid by December 31, 2022. The Company also applied for the additional loan of CAD$20,000, which was received in December 2020. Up to 50% of the additional loan will be forgiven if repaid by December 31, 2022.

Cash Flows During the Year

Cash as at December 31, 2020 and 2019 was held with major Canadian banks.

For the year ended December 31, 2020, the Company used cash of $290,000 through operating activities (2019 – $644,000).

During the year ended December 31, 2020, net cash used by investing activities was $230,000 (2019 – provided $110,000). In 2020, the Company generated $nil in net proceeds on the sale of marketable securities (2019 - $149,000) and incurred $213,000 on a drilling program at Minago (2019 - $17,000 to maintain the property in good standing).

The Company received $520,000 from net financing activities during 2020 (2019 – $514,000), mainly due to net receipts of current loans. During 2020, the Company received advances from the Secured Lender of $489,000 (2019 - $514,000) for working capital purposes.

The Company's activities during the year ended December 31, 2020 provided cash of $nil (2019 – used cash of $20,000).

Table of Contractual Commitments

	Due Date	Currency		As at December 31, 2020		As at December 31, 2019
				USD		USD
Promissory Convertible Note	July 7, 2016	US Dollar	**$**	**3,000**	$	3,000
Other current loan	July 31, 2021	US Dollar	**$**	**447**	$	645
Promissory Convertible Notes	July 31, 2018 and Jan 31, 2020	US Dollar	**$**	**1,762**	$	1,762
Promissory Convertible Notes	July 31, 2018 and Jan 31, 2020	Canadian Dollar	**$**	**579**	$	560
Senior Secured Debt	July 31, 2021	US Dollar	**$**	**10,009**	$	7,050
Senior Management Debt	Jan 31, 2020	Canadian Dollar	**$**	**398**	$	383
Accrued Interest	July 7, 2016 to July 31, 2021	US and Canadian Dollar	**$**	**5,871**	$	5,533
Government Loan	December 31, 2022	Canadian Dollar	**$**	**31**		N/A

The other current loan, senior secured debt and accrued interest due in 2021 are in default as at December 31, 2020 and therefore are due on demand.

Other Potential Sources of Cash Flow
The APA provides consideration to Victory Nickel which includes:

- $5,000,000 Silver Elephant common shares issued in three tranches over a one-year period commencing on February 9, 2021;
- CAD$1,000,000 subscription by Silver Elephant for the purchase of Victory Nickel commons shares; and
- An agreement to issue Victory Nickel CAD$2 million Silver Elephant commons shares, upon the price of nickel exceeding US$10.00 per pound for 30 consecutive business days on or before December 31, 2023.

The Company also has over 11,000 tons of sand in inventory at December 31, 2020. The Company has eliminated all discretionary costs that should not have a negative impact on its ability to resume production. Staffing, salaries and director fees have been previously reduced or accrued and deferred where possible.

REPORTING SEGMENT
The Company is engaged in the exploration, evaluation and development of properties for the mining and production of nickel and associated products. The Company also produces frac sand for the oil and gas industry in Canada and the northern US. The Company has three reporting segments: Corporate, Exploration and Development, and Frac Sand. The Corporate segment supports all of the Company's activities.

Senior management makes decisions with respect to exploration and development by considering exploration and development potential and results on a project basis. The Company's projects are all located in Canada.

The frac sand segment is managed and operated by Victory Silica's executives and employees although the business and operating assets are part of Victory Nickel. The segment is located in Canada.

The following table provides additional information on the Company's total segment assets:

As at December 31,		**2020**		2019
Canada				
Corporate	**$**	**1,643**	$	1,531
Exploration and development		**3,430**		16,230
Frac sand		**1,932**		2,989
Held for sale assets		**11,471**		-
Intersegment elimination		**(1,481)**		(1,441)
Total Assets	**$**	**16,995**	$	19,309

EXPLORATION AND DEVELOPMENT ACTIVITIES

Paul Jones is a "qualified person" as defined under NI-43-101 and has approved the preparation of the information relating to the material mineral projects of the Company described herein.

MINE PROPERTY AND DEVELOPMENT ACTIVITIES

Minago Project

During the year ended December 31, 2020, $213,000 was incurred on the Minago project (2019 - $17,000).

The Minago project is a permitted project ready for development. It is located on the unexposed southern part of the Thompson Nickel Belt in Manitoba, and is one of Canada's largest undeveloped sulphide nickel deposits. Minago has been shown to be capable of producing a nickel concentrate grading from 22.3% up to 35.0%, making it reportedly the world's highest grade nickel concentrate. In addition to metal by-products such as copper, cobalt, gold, platinum, palladium, silver and rhodium, a layer of silica sand averaging approximately nine metres thick overlies the nickel mineralization within the open pit. Approximately 84% of the sand is marketable as frac sand. The frac sand forms part of the overburden that must be removed prior to mining the nickel ore. According to the Minago FS, production of frac sand could begin 20 months after the start of mine development.

The analytical data and geological interpretations obtained from a work program in 2010 were incorporated into an updated geological model and resource estimate. The updated resource incorporates a 24% increase (over the previous resource estimate) in the NI 43-101 measured and indicated and pit-constrained sulphide nickel resource used in the Minago FS. The Minago FS is available at www.sedar.com. Note that all resources are contained in the Nose Deposit and the update below does not include the results of the 2011 drilling program.

	April 2011 Pit-Constrained Resource[1]			**March 2010 In-Pit Resource[2]**			**Increase (Decrease) in Contained Metal**	
	Tonnes	**Grade**	**Ni Content**	Tonnes	Grade	Ni Content	**Ni Content**	**Change**
Category	**Millions**	**%NiS[3]**	**M Lb**	Millions	%NiS[3]	M Lb	**M Lb**	**%**
Measured	**8.2**	**0.473**	**85.0**	6.6	0.488	71.4	**13.7**	**19.2**
Indicated	**22.8**	**0.432**	**217.2**	19.1	0.410	172.6	**44.6**	**25.9**
M&I	**31.0**	**0.443**	**302.2**	25.7	0.430	243.9	**58.3**	**23.9**
Inferred	**0.2**	**0.380**	**1.4**	1.4	0.402	12.2	**(10.8)**	**(88.4)**

1 Lerch-Grossman pit optimization shell 2 Whittle pit optimization shell 3 Nickel in sulphide form

On August 23, 2011, the Manitoba Government issued Victory Nickel's final EAL for the Minago project. The licence was to expire on August 22, 2014 unless the Company completes a certain amount of work to move the project forward. During 2014, the Company complied with the conditions of the EAL and, in December 2014, filed an Environmental Act Proposal ("EAP") to amend the EAL to relocate the proposed tailings and waste rock management facility. The construction of drainage ditches installed to lower the water table within the pit shell limits, the installation of Flow Gauging and Telemetry systems and the implementation of a comprehensive environmental monitoring program are considered part of the site development necessary to maintain the EAL. Consultations with First Nations by the government of Manitoba continue. The existing EAL continues to be valid and although the amendment would be preferable, it is not necessary for the Minago project to be developed. On completion of consultations, the government is expected to issue the amendment to the existing EAL.

On April 8, 2020, the Company announced the completion of two exploration diamond drill holes at Minago. The two-hole program at the Minago project targeted geophysical responses underlying the northern part of the property and constitutes condemnation testing related to potential infrastructure development for future project purposes. The geophysical targets tested were identified during historic surveys conducted by previous workers as well as a VTEM survey conducted for the Company in 2007. Due to the limitations on personnel movement resulting from restrictions stemming from the on-going COVID-19 pandemic, processing of core and receipt of assay results are likely to be significantly delayed.

Minago Frac Sand

An indicated resource of 15,000,000 tonnes of sandstone has been estimated to occur within the current Minago pit shell. The frac sand component of this resource is approximately 11,000,000 tonnes and is a significant contributor to the positive economics at Minago. As part of the FS, Outotec produced a feasibility-level design for a frac sand plant complete with capital and operating costs to produce 1,140,000 tonnes of frac sand annually for a ten-year period. Considerable potential exists to expand the resource beyond the limits of the current pit.

At the end of 2020, the Company assessed the carrying value of Minago for impairment. At December 31, 2020, Management believed that impairment existed due to the valuation of Minago as part of the APA with Silver Elephant completed on February 9, 2021, and concluded that a write-down of $1,542,000 was necessary. The carrying amount of the Minago property was transferred to Held for Sale Asset on the *Consolidated Statement of Financial Position* as at December 31, 2020. Refer to HELD FOR SALE ASSET section below.

EXPLORATION AND EVALUATION ACTIVITIES

For the year ended 2020, the Company reviewed for any indication of impairment on the asset's recoverable amount and determined that there were no significant events, progress or adverse changes to materially impact the carrying values of its E&E projects. Due to the significant write-down in 2018 and despite the Company's financial difficulties, management believes that the current carrying amounts of its E&E projects are likely to be recovered in full, from successful development or by sale in the future. For the year ended December 31, 2020, the Company recorded a write-down of $11,000 and $6,000 on its Lac Rocher and Mel properties, respectively (2019 - $10,000 and $5,000, respectively) and incurred $17,000 exploration expenditures on its E&E projects (2019 – $15,000). Expenditures have been reduced due to the tight equity markets and management's focus on the frac sand business.

Nickel

Lac Rocher

Lac Rocher, with year-round access, is located in northwestern Québec and has measured (0.29 million tonnes grading 1.23% Ni) and indicated (0.51 million tonnes grading 1.05% Ni) resources of 0.80 million tonnes grading 1.12% nickel, at a 0.5% nickel cutoff, for approximately 20 million pounds of in-situ nickel located between surface and 125 vertical metres. Additional inferred resources total 0.44 million tonnes grading 0.65% Ni. Mineralization remains open to the southwest. The breakeven price of nickel per pound in the Lac Rocher PEA was US$9.74 with copper at US$3.65 with an exchange of CAD$0.95 / US$1.00.

The Lac Rocher property is subject to a discovery incentive plan (the "DIP") to reward certain individuals involved in the discovery of Lac Rocher with a 2% net smelter royalty ("NSR") for mines that were discovered on certain properties prior to the expiry of the DIP. The NSR is payable only on revenues earned after recovery of all development costs for any mine on the property. The terms of the DIP provide the Company with a right of first refusal on any proposed disposition of the NSR. In addition, the DIP contains put/call provisions under which the Company may be required to purchase, or may exercise an option to purchase, the NSR at the value of its discounted cash flows, as defined therein. The Lac Rocher property is the only property subject to the DIP. As the Lac Rocher property is not yet in production, no royalties are currently payable. No work has been conducted on site since December 2009.

As at December 31, 2020, the Company recorded an impairment of $11,000 (2019 - $10,000) on its Lac Rocher property (refer to IMPAIRMENT ANALYSIS UPDATE section below).

Mel Project

The 100% owned Mel project is located on the Thompson Nickel Belt, just north of Thompson, Manitoba and remains underexplored.

Mel has an indicated resource of 4.3 million tonnes grading 0.88% nickel (approximately 83 million pounds in-situ nickel) and an additional inferred resource of one million tonnes grading 0.84% nickel (approximately 19 million pounds in-situ nickel) and offers significant exploration upside as well as near-term production potential.

The re-evaluation of the Mel dataset has been completed for both the drill hole data on the Mel deposit and the considerable drilling (111 drill holes) conducted on the claims portion of the property. The study has included reinterpretation of the geological context in order to evaluate new or under-tested target areas for future work that can be incorporated into further, more refined, modelling of the Mel resource. No fieldwork has been conducted since 2011.

Under the terms of the Mel option agreement with Vale, Vale must mill ore from the Mel project at cash costs plus 5% subject to capacity availability and metallurgy. Furthermore, in accordance with the terms of the agreement with Vale, they are entitled to a 10% royalty on "distributable earnings" as defined in the agreement. Distributable earnings is defined as net revenue less operating expenses, before federal and provincial income taxes, after provincial mining taxes and less aggregate pre-production capital but before depreciation.

As at December 31, 2020, the Company recorded an impairment of $6,000 (2019 - $5,000) on its Mel property (refer to IMPAIRMENT ANALYSIS UPDATE section below).

Lynn Lake
The Lynn Lake property is located in the historic mining town of Lynn Lake in northern Manitoba, about 320km by road northwest of the Thompson mining camp. The property is the former Sherritt Gordon Mines Limited ("Sherritt") mine site known as the Lynn Lake A Mine and Farley Mine, comprised of 13 mining claims, 14 mining claim leases and 2 mineral leases covering an area of 2,170.26 hectares. The property was operated by Sherritt from 1953 to 1976 with reported production of 22.2 million tons at an average grade of 1.023% nickel and 0.535% copper.

The Lynn Lake nickel property covers approximately 600 ha in northern Manitoba. In November 2014, the Company announced that it had optioned Lynn Lake to Corazon. Under the terms of the option agreement, subject to any required regulatory approvals, Corazon can acquire a 100% interest in Lynn Lake by issuing to Victory Nickel, 40,000,000 Corazon shares upon closing and incurring AU$3,500,000 in exploration expenditures or payments (in cash or Corazon shares at Corazon's option) to Victory Nickel before December 19, 2019. In April 2015, the Company received 40,000,000 shares of Corazon valued at $192,000 as part of the option agreement. These shares were subsequently sold. On January 14, 2020, the Company received an interim report from Corazon, indicating that over AU$3,500,000 in exploration expenditures has been incurred. The Company is currently in the process of reviewing the interim report.

If the terms of the option are determined to not have been met, Corazon shall either pay to the Company (in cash or in Corazon shares, at the discretion of Corazon) the difference between AU$3,500,000 and the amount spent by Corazon on Lynn Lake or elect to return the property to the Company. If the terms of the option are met, Victory Nickel will retain a 1.5% net smelter royalty on production from Lynn Lake and receive a payment of AU$1,000,000 (in cash or Corazon shares at Corazon's option) within 30 days of the commencement of ore processing activities.

FRAC SAND SEGMENT

As explained above, the frac sand segment is managed and operated by Victory Silica, although the business and operating assets are part of Victory Nickel. The Company's frac sand segment is located in Canada although initially sand as raw material was imported from the United States. As customer demand has changed, the Company has purchased domestic (Canadian) sand from suppliers near to the 7P Plant and has also brokered frac sand to generate revenue.

With the Bear Coulee (Wisconsin) and Short Grass Ranch (Alberta) properties (see discussion below), the Company has the potential to provide both import and domestic sand to customers should market demand dictate. At the present time, the Company is focused on evaluating the development of, and production from, the Short Grass Ranch property as this product is better suited to current market demand.

Bear Coulee Property
In October 2014, the Company entered into an option to acquire a 100% interest in a frac sand land package totaling over 300 acres in Trempeleau County Wisconsin, USA (the "Bear Coulee Property"). The option agreement provides for a cash payment of $10,000 on signing of the agreement (paid in 2014), a second cash payment on delivery of permits (which has not yet been completed) and a third cash payment on exercise of the option. The option is valid for six months following receipt of permits with two equivalent extensions available under certain circumstances. Prior to production, the Company will be required to pay $40,000 per annum as advance royalties on the initial 20,000 tons of sand production. Once the Bear Coulee Property is in production, the Company will be required to pay a royalty of $2.00 per ton of frac sand sold from the property.

In February 2015, the Company announced the completion of a National Instrument 43-101 technical report describing a resource estimate of approximately 11 million tons of frac sand on the Bear Coulee Property.

Short Grass Property
In October 2018, Victory Silica entered into the Exploration and Option Agreement with Short Grass Ranches Ltd. giving the Company the option to mine frac sand from the Short Grass Property, located in Alberta, Canada, approximately 52 kilometres from the 7P Plant.

Under the terms of the Exploration and Option Agreement, the Company had a 180-day period to evaluate the Short Grass Property. The Company completed third-party testing of sand resources on the Short Grass Property. In April 2019 the Company notified the Owner of its exercise of the Exploration and Option Agreement.

On February 6, 2020, Victory Silica executed the Non-Metallic Mineral Rights Agreement with the Owner to develop a commercial frac sand mine. The initial term of the Non-Metallic Mineral Rights Agreement is for five years with the ability to extend for additional five-year terms and will pay the Owner a royalty for net frac sand sold from the Short Grass Property. The Non-Metallic Mineral Rights Agreement gives the Company the potential to produce in-basin domestic sand which has grown in popularity in North America as a means for the Company's customers and potential customers to reduce their overall frac cost. Any sand mined from the Short Grass Property would be trucked to the 7P Plant for processing and sale alongside existing inventory.

The Short Grass Property has a high-quality sand deposit, is well-located and gives the Company the opportunity to access new customers in evolving markets.

IMPAIRMENT ANALYSIS UPDATE

The Company performed an analysis for any indicators of impairment on each of its E&E projects and the MP&D project as at December 31, 2020. The challenge facing all junior resource companies remains to find financing for development of projects. This difficulty is not a reflection of the quality of the Company's projects, but is indicative of a continued general malaise affecting the junior resources sector in general. The Company performed an analysis for any indicators of impairment at the project level.

The Company considered a number of factors including its current financial position, the amount of capital required to develop the project, delays to development due to financing requirements and the probability of obtaining such financing. The Company's current financial position will make obtaining financing extremely difficult. The low market capitalization may also hinder the Company if it were to attempt to sell any of its projects. Additionally, the Company considered current and forecast nickel prices, frac sand pricing and prices of other by-products, in addition to the current market conditions for nickel projects.

At the end of 2020, the Company assessed the carrying value of Minago for impairment. At December 31, 2020, Management believed that impairment existed due to the valuation of Minago as part of the APA with Silver Elephant completed on February 9, 2021, and concluded that a write-down of $1,542,000 was necessary. The revalued carrying amount of the Minago property was transferred to Held for Sale Asset on the *Consolidated Statement of Financial Position* as at December 31, 2020. Refer to HELD FOR SALE ASSET section below.

For the year ended 2020, the Company reviewed for any indication of impairment on the asset's carrying amount and determined that there were no significant events, progress or adverse changes to materially impact the carrying values of its E&E projects. Due to the significant write-down in 2018 and despite the Company's financial difficulties, management believes that the current carrying amounts of its E&E projects are likely to be recovered in full, from successful development or by sale in the future. For the year ended December 31, 2020, the Company recorded an impairment of $11,000 and $6,000 on its Lac Rocher and Mel properties, respectively (2019 - $10,000 and $5,000, respectively).

HELD FOR SALE ASSET

As announced on October 30, 2020, the Company has engaged Red Cloud Securities Inc. ("Red Cloud") on an exclusive basis as its financial advisor to manage the sale process of Minago on behalf of the Company to improve the capital structure of the Company. The firm was paid a retainer fee of CAD$50,000. Upon receipt of non-binding offers, the firm and the Company evaluated potential opportunities and structures that could improve the Company's capital structure and allow the Company to move forward to the benefit of all stakeholders.

At the end of 2020, the Company assessed the carrying value of Minago for impairment. At December 31, 2020, Management believed that impairment existed due to the valuation of Minago as part of the APA with Silver Elephant completed on February 9, 2021, and concluded that a write-down was necessary. The carrying amount of the Minago property was transferred to *Held for Sale Asset* on the Consolidated Statement of Financial Position as at December 31, 2020.

TRANSACTIONS WITH RELATED PARTIES

Related Party Balances and Transactions for Services
Short-term benefits provided by the Company to key management personnel include salaries, directors' fees, statutory contributions and paid sick leave as well as non-monetary benefits such as medical care. The Company may also issue options and common shares as part of the stock option plan and the share bonus plan.

Balances with related parties are shown in the following tables:

(in thousands of United States dollars)

As at December 31,		**2020**		2019
Balances Outstanding				
Debt due to key management personnel	**$**	**398**	$	383
Other payables and accrued liabilities due to key management personnel		**1,026**		675
	$	**1,424**	$	1,058

Key management personnel compensation is comprised of:

(in thousands of United States dollars)

Years ended December 31,		**2020**		2019
Short-term employee benefits	**$**	**509**	$	431
	$	**509**	$	431

OUTSTANDING SHARE DATA

As at April 28, 2021, the Company had 138,178,867 common shares issued and outstanding. In addition, there were 10,950,000 stock options outstanding with a weighted average exercise price of CAD$0.049.

Upon the issuance of 40,000,000 common shares of Victory Nickel to Silver Elephant as part of the APA on February 9, 2021, Silver Elephant effectively owned 29% of Victory Nickel on a non-dilutive basis. The shares issued are subject to a statutory holding period of four months plus one day.

SUBSEQUENT EVENTS

Sale of Minago to Silver Elephant
On February 9, 2021, Victory Nickel sold its Minago nickel property in northern Manitoba to Silver Elephant Mining under the terms of the APA.

Silver Elephant acquired 100% of Victory Nickel's debt held by the Secured Lender, upon sale of the Minago property, and restructured the Secured Debt in accordance with the APA as follows:

- A credit of $6,675,000 against the balance of the Secured Debt owed by Victory Nickel;
- The balance of the Secured Debt will be non-interest bearing;
- The balance of the Secured Debt will mature on February 9, 2026 and will automatically be extended in 5-year increments; and
- A credit on the remainder of the balance owing under the Secured Debt, upon receipt of an independent economic study in respect of the Minago project proving positive net present value.

The APA also provides consideration to Victory Nickel which includes:

- $5,000,000 Silver Elephant common shares issued in three tranches over a one-year period;
- CAD$1,000,000 subscription by Silver Elephant for the purchase of Victory Nickel commons shares;
- An agreement to issue Victory Nickel CAD$2,000,000 Silver Elephant commons shares, upon the price of nickel exceeding US$10.00 per pound for 30 consecutive business days on or before December 31, 2023;

- A right of first refusal, exercisable by Victory Nickel until December 31, 2023, with respect to the exploration of sandstone (non-nickel bearing sulphides) resources at Minago; and
- Reimbursement of up to $200,000 for financial advisory services rendered by Red Cloud Securities Inc.

Engaged Financial Advisor for Debt Restructuring
During March 2021, the Company engaged Grant Thornton Limited as its financial advisor to assist the Company with restructuring options related to the Company's unsecured debt.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and judgements used in the preparation of the consolidated financial statements include determining the carrying value of investments, MP&D and E&E projects, assessing the impairment and classification of long-lived assets, determining the recoverability of deferred income tax assets, the valuation of the convertibility feature of the New Promissory Convertible Notes, the valuation of share-based payments and the disclosure of contingencies and going concern matters. These estimates involve considerable judgement and are, or could be, affected by significant factors that are out of the Company's control.

For a complete list of the significant accounting policies as well as information concerning the use of estimates, judgments and measurement uncertainty, reference should be made to Note 3 to the Company's 2020 Consolidated Financial Statements. The Company's 2020 Consolidated Financial Statements have been prepared using the going concern assumption; reference should be made to Note 1 to the Company's 2020 Consolidated Financial Statements.

The recorded value of the Company's E&E projects and the MP&D project is based on historic costs, net of any impairment, that are expected to be recovered in the future. The Company's recoverability evaluation is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company is in an industry that is exposed to a number of risks and there is always the potential for a material adjustment to the value assigned to these assets. Such risks also extend to the evaluation of fair values of net assets upon acquisition.

The fair value of the Company's Held for Sale Asset is based on the purchase price by Silver Elephant as part of the APA completed on February 9, 2021.

The value of the Participating Interest is a significant estimate which uses a model of estimated cash flows and applies probability-weighted estimates to the model. Assumptions are made about the phase at which the frac sand business will be when payments are being made as well as production costs and volumes and sales prices and volumes.

The fair value of the stock options and warrants, as well as the embedded derivatives in the New Promissory Convertible Notes, is calculated using the Black-Scholes option-pricing model that takes into account the exercise price, expected life, expected volatility of the underlying common shares, expected dividend yield and the risk-free interest rate for the term of the option, warrant or embedded derivative.

The Company has significant deferred tax assets that do not meet the criteria for recognition. Given the uncertainties disclosed in the going concern note above, the Company has determined that it cannot recognize any deferred tax assets at the time. The Company will monitor any changes that would allow for the recognition of its deferred tax assets. This is a significant judgement that, dependent upon future events, may turn out to be incorrect. The Company will monitor any changes in circumstances which could require a reversal of the valuation allowance.

Accounting Standards Issued But Not Yet Applied
The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current and Deferral of Effective Date
In January 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements, to provide a more general approach to the presentation of liabilities as current or non-current based on contractual arrangements in place at the reporting date. These amendments:

- specify that the rights and conditions existing at the end of the reporting period are relevant in determining whether the Company has a right to defer settlement of a liability by at least twelve months;
- provide that management's expectations are not a relevant consideration as to whether the Company will exercise its rights to defer settlement of a liability; and
- clarify when a liability is considered settled.

On July 15, 2020, the IASB issued a deferral of the effective date for the new guidance by one year to annual reporting periods beginning on or after January 1, 2023 and is to be applied retrospectively. The Company has not yet determined the impact of these amendments on its financial statements.

CORPORATE GOVERNANCE

The Company's Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility principally through the Audit Committee. The Audit Committee meets with management to review the 2020 Consolidated Financial Statements to satisfy itself that management is properly discharging its responsibilities to the directors who approve the financial statements. The Board of Directors has also appointed a Compensation committee, a Corporate Governance and Nominating and a Health, Safety & Environment committee.

Disclosure Controls and Procedures
The Company's Interim Chief Executive Officer and Acting Chief Financial Officer (the "Certifying Officer"), is responsible for designing a system of disclosure controls and procedures, or causing them to be designed under their supervision, to provide reasonable assurance that information required to be disclosed in reports filed with or submitted to, securities regulatory authorities is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws and that material information relating to the Company is made known to them with respect to financial and operational conditions to allow timely decisions regarding required disclosure. Such controls are facilitated by the small size of the Company's senior management team and their access to material information.

Internal Control over Financial Reporting
The Company's Certifying Officer is responsible for designing a system of internal controls over financial reporting, or causing them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with Canadian GAAP. Management of the Company was required to apply its judgement in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

RISKS AND UNCERTAINTIES

The exploration and development of natural resources are speculative activities that involve a high degree of financial risk. Additionally, there are specific risks related to the Company's presence in the frac sand market. The risk factors which should be taken into account in assessing Victory Nickel's activities and an investment in its securities include, but are not necessarily limited to, those set out in detail below.

The relative significance of each risk described below will vary as a function of several factors including, but not limited to, the state of the economy, the stage of Victory Nickel's projects, the availability of financing on acceptable terms and other matters.

Any one or more of these risks could have a material adverse effect on the value of any investment in Victory Nickel and the business, financial condition, operating results or prospects of Victory Nickel and should be taken into account in assessing Victory Nickel's activities.

Financial and Investment Risks

Going Concern

Readers are encouraged to read and consider the going concern note specifically described at the beginning of the MD&A and contained in the 2020 Consolidated Financial Statements.

Substantial Debt and Loss from Operations

As reflected in the accompanying consolidated financial statements and notes, the Company's outstanding debt balance, both secured and unsecured, raises substantial doubt about our ability to continue as a going concern and to generate sufficient liquidity to meet our operating needs. While the Company is attempting to generate sufficient revenue and reduce costs, the cash position may not be sufficient to support ongoing daily operations and the Company cannot ensure that the business will generate sufficient cash flows from operations or future borrowings. As noted above, readers are encouraged to read and consider the going concern note specifically described at the beginning of the MD&A and contained in the 2020 Consolidated Financial Statements.

Substantial Capital Requirements

Victory Nickel will have to make substantial capital expenditures for the development of, and to achieve production from, its nickel projects. Production will only be reached a number of years following the start of development. Until that time, the Company is reliant on cash flows generated by its frac sand business, on the equity markets and on asset sales to generate cash for ongoing operations and programs. There can be no assurance that any debt or equity financing or cash generated by operations or asset sales will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Victory Nickel. Moreover, future activities may require Victory Nickel to alter its capitalization significantly. The inability of Victory Nickel to access sufficient capital for its operations could have a material adverse effect on its financial condition, results of operations or prospects. Flow-through financing cannot be used to fund the Company's corporate costs.

The 7P Plant has been substantially completed, however additional capital will be required. This capital requirement may be in excess of the net funds generated by the business. The frac sand operations have ongoing requirements for working capital financing. There is a risk that sufficient working capital financing may not be available at suitable prices.

The Company recognizes the requirement to repay outstanding principal and interest on existing debt and is actively working on restructuring its obligations. There can be no assurance that the Company will be able to restructure its debt with any or all of the remaining unsecured creditors per the terms of the Debt Restructuring Agreement and/or recapitalize and there is no certainty as to what steps the unsecured lenders may take as a result.

Market Perception

Market perception of junior exploration, development and mining companies and frac sand companies may continue to shift such that companies in these sectors continue to be viewed unfavourably by investors. This could impact the value of investors' holdings and Victory Nickel's ability to raise further funds by issue of additional securities or debt.

Metal, Hydrocarbon and Frac Sand Prices

There is no assurance that, even if commercial quantities of mineral resources are developed, a profitable market will exist for the sale of such product. Nickel and by-product prices fluctuate on a daily basis and are affected by numerous factors beyond Victory Nickel's control – including factors which are influenced by worldwide circumstances. The level of interest rates, the rate of inflation, world supply and demand for commodities and stability of exchange rates can all cause significant fluctuations in commodity prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The prices of nickel and by-products have historically fluctuated widely and future price declines could cause commercial production to be uneconomical and such fluctuations could have a material adverse effect on Victory Nickel's business, financial condition and prospects. As Victory Nickel has historically been in the exploration and development stage, the above factors have had no material impact on present operations but must be considered in evaluating the impairment of long-lived assets. These factors are of significant importance for the Minago FS and decisions related thereto as well as being important to the developing frac sand business.

The business case developed to support the Company's entry into the frac sand business made significant assumptions on pricing of frac sand as well as for important cost elements of production and transportation. The price of frac sand is subject to market forces beyond the Company's control, including hydrocarbon supply and demand and resultant pricing. Since the commissioning of the plant, the impact of such market forces has negatively impacted demand and pricing for frac sand and there can be no assurance that these impacts will not continue in the future.

Areas of Investment Risk
The Company's common shares are listed on the CSE. The share prices of publicly traded companies can be volatile as the price of common shares is dependent upon a number of factors, some of which are general or market or sector specific and others that are specific to Victory Nickel. The market for shares in small public companies is less liquid than for large public companies. Investors should be aware that the value of the Company's common shares may be volatile and may go down as well as up and investors may therefore not recover their original investment.

The market price of the Company's common shares may not reflect the underlying value of the Company's net assets. The price at which investors may dispose of their securities may be influenced by a number of factors, some of which may pertain to the Company and others of which are extraneous. On any disposal of their common shares, investors may realize less than the original amount invested.

Industry Risks
Speculative Nature of Mineral Exploration
Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that Victory Nickel's exploration efforts will be successful. Few properties that are explored are ultimately developed into economically viable operating mines. Success in establishing reserves is a result of a number of factors, including the quality of Victory Nickel's management, level of geological and technical expertise and the quality of land available for exploration and other factors. Once mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling to determine the optimal extraction method for the ore and the metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities. It is possible that even preliminary due diligence will show adverse results, leading to the abandonment of projects. It is impossible to ensure that preliminary feasibility studies or full feasibility studies, such as to the Minago FS, on Victory Nickel's projects or the current or proposed exploration programs on any of the properties in which Victory Nickel has exploration rights will result in a profitable commercial mining operation. As a result of these uncertainties, no assurance can be given that Victory Nickel's exploration programs will result in the establishment or expansion of resources or reserves.

Evaluation and Development Projects
In general, evaluation and development projects have no operating history upon which to base estimates of future cash operating costs. For evaluation and development projects such as the mineral resource properties owned by Victory Nickel, estimates of proven and probable reserves are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies. This information is used to calculate estimates of the capital cost, cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates, comparable facility and equipment operating costs, anticipated climatic conditions and other factors. In addition, there remains to be undertaken certain feasibility and/or development preparation work on the projects that could adversely impact estimates of capital and operating costs required for the development of the projects. Costs necessary to develop the projects could be significant and have a direct impact on the economic evaluation of the projects. As a result, it is possible that the actual capital cost, cash operating costs and economic returns of the projects may differ from those currently estimated. The costs estimated under the Minago FS for Minago differed from the Preliminary Economic Assessment and may differ again upon actual development.

Frac Sand Industry
The industry is closely linked to the oil and gas industry and is therefore affected by economic factors impacting that industry, including the effect of future cycles based on historic experience. Demand for frac sand is influenced by many factors, including global and regional economic and political events and conditions, fluctuations in pricing and availability of oil and gas and other energy sources, demand for oil and gas products, demand for cars and other vehicles, technological innovation impacting alternative energy sources, changes in the regulatory framework for mining and processing frac sand and the hydraulic fracturing industry. The oil and gas industry can be prone to sudden, unexpected production slowdowns which may impact exploration, development, production and well completion activities. These factors, such continuing low price of oil, cannot readily be predicted or controlled. Negative developments could cause the demand for frac sand products to decline which could have and have had adverse effects on business, financial condition, results of operations, cash flows and prospects.

With respect to the frac sand industry itself, risks include: changes in transportation availability and pricing, inclement or hazardous weather conditions from flooding or climate change, environmental hazards, industrial accidents, changes in the regulatory framework impacting mining, processing and the fracking industries in both Canada and the US, inability to procure sand in the required quantities or qualities, inability to obtain replacement parts or equipment on a timely basis, reduction in the availability of water for processing, inability to hire, train and retain qualified staff at acceptable rates; and other technical difficulties or failures.

The fracking industry has been hailed as significantly contributing to North America's energy self-sufficiency. A combination of techniques is used, any changes impacting the use of frac sand as a proppant through regulation or technological innovation may negatively impact the frac sand industry. In addition, heightened political, regulatory and public scrutiny of hydraulic fracturing practices could potentially expose the Company or its customers to increased legal and regulatory proceedings, and any such proceedings could be time-consuming, costly or result in substantial legal liability or significant reputational harm.

Competition

The mineral exploration business is highly competitive in all of its phases. Victory Nickel competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than Victory Nickel, in the search for and acquisition of exploration and development rights on attractive mineral properties. Victory Nickel's ability to acquire exploration and development rights in the future will depend not only on its ability to develop the properties on which it currently has exploration and development rights, but also on its ability to select and acquire exploration and development rights on other suitable properties. There is no assurance that Victory Nickel will compete successfully in acquiring exploration and development rights on such other properties or in securing customers, sand supplies or other resources such as transportation.

Victory Nickel also faces competition in the frac sand market with respect to its frac sand business and there is no assurance that Victory Nickel will compete successfully in processing and selling frac sand in such market. Frac sand is a proppant used in the completion and re-completion of oil and natural gas wells to stimulate and maintain oil and natural gas production through the process of hydraulic fracturing. Frac sand is the most commonly used proppant and is less expensive than other proppants, such as resin-coated sand and manufactured ceramics. A significant shift in demand from frac sand to other proppants; from the Company's Northern White frac sand sourced in the United States which is generally of higher quality than, and sells at higher prices than, Canadian domestically-sourced frac sand; or the development of new processes to replace hydraulic fracturing altogether, could cause a decline in the demand for the frac sand the Company processes and result in a material adverse effect on the Company's financial condition and results of operations. If significant new reserves of raw frac sand are discovered and developed, and those frac sands have similar characteristics to the raw frac sand processed by the Company, the Company's ability to maintain or acquire contracts may be negatively impacted which could have a material adverse effect on the Company's results of operations and cash flows over the long term. Additionally, quality sand supply is a limited resource and certain of the presently-identified sources are a significant distance away from the 7P Plant which provides logistical challenges in securing timely railcar and other transportation at acceptable prices.

Operational Risks

Limited History of Operations

Victory Nickel has no history of earnings and limited financial resources. Victory Nickel currently has no operating mines and its ultimate success may depend on the ability of active mining operations to generate cash flow in the future, as well as its ability to access capital markets for its development requirements. There is no assurance that Victory Nickel will earn profits in the future. Significant capital investment will be required to achieve commercial production at Victory Nickel's existing nickel projects. There is no assurance that Victory Nickel will be able to raise the required funds to continue these activities. The 7P Plant continues to operate on an as-needed basis, and there can be no assurance when or if full-time operations will resume.

Frac Sand Processing Operations

The 7P Plant is the Company's only frac sand processing facility. Any adverse development at the 7P Plant or in the end markets the 7P Plant serves, including adverse developments due to catastrophic events or weather, decreased demand for commercial silica products, a decrease in the availability of transportation services or adverse developments affecting the Company's customers, as has occurred, could, and have, had a material adverse effect on the Company's financial condition and results of operations. The availability of qualified staff at acceptable prices also represents a risk.

The procurement, production and delivery of frac sand can be logistically complex – transportation costs represent a significant portion of frac sand costs. Unavailability of appropriate transportation and rail cars or lines on a timely basis may impact turnaround and cause delays in deliveries. Changes in respective transportation costs or decreases in dependability may, and have, impaired the Company's ability to receive and/or deliver product with adverse effects on costs, revenues and reputation. Further, changes to logistics to reflect changed demand may not be able to occur on a timely basis, resulting in adverse effects on the cost profile.

Processing frac sand includes substantial costs for energy – electricity and gas – as well as water. Problems in securing sufficient energy supply at appropriate prices would have impact on operating costs and the ability to recover those increased costs may be impaired.

The specifications for frac sand are detailed; maintaining a robust quality control process is key to producing a high-quality product. Failure to do so could cause lost revenues and lost reputation.

Development Targets, Permitting and Operational Delays
There can be no assurance that Victory Nickel will be able to complete the planned development of its projects on time or on budget due to, among other things, delays in receiving required consents, permits and registrations, the delivery and installation of plant and equipment and cost overruns, or that the current personnel, systems, procedures and controls will be adequate to support Victory Nickel's operations. Any failure to meet development targets or other operational delays or inadequacies could have a material adverse effect. In particular, while the Company is confident it has complied with the conditions of the EAL and has filed, with the government of Manitoba, an EAP to amend its EAL providing for the relocation of the Minago project tailings impoundment to an area much more suitable than previously proposed in the Minago FS, there is no guarantee that the EAP will be approved or that an amendment to the EAL will be granted.

The Company's frac sand business has since its inception been reliant upon third parties to supply northern white feedstock for its 7P Plant. Any difficulties on the part of these suppliers with respect to securing, maintaining or extending permits for its properties and operations, including appropriate water rights, may have adverse effects on the supply of sand.

Resources and Reserves
The figures for mineral resources and mineral reserves are estimates and no assurance can be given that the anticipated level of recovery and/or grades of mineral reserves or mineral resources will be realized. Moreover, short-term operating factors relating to ore reserves and resources, such as the need for orderly development of an ore body or the processing of new or different ore grades, may cause a mining operation to be unprofitable in any particular accounting period.

The Company's frac sand business in its present phase is reliant upon a handful of suppliers for its product. The Company has no resources or reserves of its own that can presently be exploited, although it has announced resources on the Bear Coulee option in Wisconsin. The same is true of the Short Grass Property. Permitting this property for production is expected to take several years.

Title Risks
Victory Nickel's ability to hold various mineral rights require licences, permits and authorizations and, in some cases, renewals of existing licences, permits and authorizations from various governmental and quasi-governmental authorities. Management believes that Victory Nickel currently holds or has applied for all necessary licences, permits and authorizations to carry on the activities which Victory Nickel is currently conducting and to hold the mineral rights Victory Nickel currently holds under applicable laws and regulations in effect at the present time. Management also believes that Victory Nickel is complying in all material respects with the terms of such licences, permits and authorizations. However, Victory Nickel's ability to obtain, sustain or renew such licences, permits and authorizations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable governmental and quasi-governmental bodies.

Insurance Risk
Victory Nickel faces all of the hazards and risks normally incidental to the exploration and development of base metals, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all such damage caused. Victory Nickel's activities may be subject to prolonged disruptions due to weather conditions depending on the location of operations in which Victory Nickel has interests; not all such risks are insurable.

Similarly, the frac sand processing plant faces many hazards and risks arising from the transportation and processing of frac sand materials, any of which could result in the matters described above. Again, not all such risks are insurable.

Regulatory Risks
Government Regulation
Existing and possible future environmental and social impact legislation, regulations and actions, including the regulation

of air and water quality, mining reclamation, solid and hazardous waste handling and disposal, the promotion of occupational health and safety, the protection of wildlife and ecological systems and the protection of the societies and communities of indigenous peoples, could cause significant expense, capital expenditures, restrictions and delays in activities, the extent of which cannot be predicted and which may well be beyond Victory Nickel's capacity to fund. Environmental laws are becoming more stringent and actively enforced. Environmental and social impact studies may be required for some operations and significant fines and clean-up responsibilities may be assessed for companies causing damage to the environment in the course of their activities.

Economic, Political, Judicial, Administrative, Taxation or Other Regulatory Factors
Victory Nickel may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors in the areas in which Victory Nickel does or will operate and holds its interests, as well as unforeseen matters. In particular, the fracking industry is often at the forefront of public attention whether or not deserved. Nonetheless, this provokes attention and scrutiny.

Other Risks
Environmental and Health Risks
The Company has no significant exposure to environmental or health risks from its exploration and development activities, although this will change as the Company's projects approach production (a normal characteristic of mineral industry projects). Lynn Lake, acquired pursuant to a takeover bid and subject to option with Corazon, is a former operating mine; however indemnifications exist from the Manitoba Government with respect to any pre-existing environmental concerns at that property.

The frac sand operation involves processing silica sand. In addition to environmental regulation, the Company is subject to laws and regulations relating to human exposure to crystalline silica under the Occupational Health and Safety Act. Workplace exposure to crystalline silica is monitored; the occupational exposure limits in Alberta for respirable crystalline silica are among the lowest in Canada and the US.

Key Personnel
Victory Nickel relies on a limited number of senior managers and there is no assurance that Victory Nickel will be able to retain such individuals. The loss of one or more such key members of senior management, if not replaced, could have a material adverse effect on Victory Nickel's business, financial condition and prospects. Directors and management have accepted deferrals of remuneration in order to assist the Company through the economic turmoil; however, this potentially adds to the risk of losing experienced personnel.

Conflicts of Interest
Certain of the Company's directors and officers are also directors and officers of other natural resource companies. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers relating to Victory Nickel will be made in accordance with their duties and obligations to deal fairly and in good faith with Victory Nickel and such other companies.

Investments and Other Agreements with Resource Companies
In addition, Victory Nickel may make, from time to time, investments in the common shares of publicly traded companies in the junior natural resources sector or may enter into option or other agreements therewith. These companies are subject to similar risks and uncertainties as is Victory Nickel, and Victory Nickel's investments in and agreements with these companies are subject to similar areas of risk as noted above. Victory Nickel seeks to manage its exposure by ensuring that appropriate recourse is included in such agreements upon the counterparty's or assignee's failure to meet contractual obligations.

Unfavourable Global Economic Conditions
The Company's results of operations could be adversely affected by general conditions in the global economy and in the global financial markets. A severe or prolonged economic downturn could result in a variety of risks to our business, including the Company's ability to raise additional capital when needed on acceptable terms, if at all. A weak or declining economy could strain suppliers, possibly resulting in supply disruption, or cause delays in payments by third-party payers. Any of the foregoing could harm the Company's business and management cannot anticipate all of the ways in which the current or future economic climate and financial market conditions could adversely impact the business. For example, in 2020, COVID-19 was reported in many countries around the globe. The extent to which the COVID-19 impacts the Company and its results will depend on future developments that are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning the severity of COVID-19 and the actions required to contain the COVID-19 or remedy its impact, among others.

Summary

The future success of the Company is subject to a number of risk factors that are common to the junior natural resources sector and frac sand producers. These include the extent to which it can outline natural resources on its properties and establish the economic viability of developing those properties and the political, economic and legislative stability of the territories in which the Company's interests are located. Another significant factor is the ability of the Company to obtain necessary financing or to find strategic partners to fund expenditure commitments as they fall due, as the Company currently has limited funds. Furthermore, the development of any nickel resource interest may take years to complete and the resulting income, if any, from the sale of any nickel or by- or co-products produced by the Company is largely dependent upon factors that are beyond its control, such as costs of development, operating costs and the market value of the end product.

The Company has attempted to mitigate some of the risks associated with securing financing for the maintenance and advancement of its nickel properties through its entry into the frac sand processing business, however the frac sand business also has its own set of risks as indicated earlier, and of which investors should be aware.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking information. All statements, other than statements of historic fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding estimates and/or assumptions in respect of production, revenue, cash flow, costs, economic return, net present value, mine life and financial models, mineral resource estimates, potential mineralization, potential mineral resources, timing of possible production, the Company's development plans and objectives and the ability of the Company to restructure its debt with the relevant lenders and the ability of the Company to pay future interest and other payments in connection with such debts) constitute forward-looking information

The forward-looking information contained in this MD&A reflects the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking information is subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from current expectations, including, but not limited to, an unwillingness of the Company's lenders to refinance the Company's debts on terms favourable to the Company or at all and the ability of the Company to continue selling frac sand. Additionally, if the Company is unable to restructure its debts, obtain additional financing and/or continue generating revenue through the sale of frac sand, the Company may be required to curtail activities and/or liquidate its assets or the Company's creditors may seek to seize its assets.

Factors that could cause actual results or events to differ materially from current expectations include, among other things: uncertainty of estimates of capital and operating costs, production estimates and estimated economic return; the possibility that actual circumstances will differ from estimates and assumptions; uncertainties relating to the availability and costs of financing needed in the future; failure to establish estimated mineral resources; fluctuations in commodity prices and currency exchange rates; inflation; recoveries being less than those indicated by the test work carried out to date (there can be no assurance that recoveries in small scale laboratory tests will be duplicated in large tests under on - site conditions or during production); changes in equity markets; operating performance of facilities; environmental and safety risks; delays in obtaining or failure to obtain necessary permits and approvals from government authorities ; unavailability of plant, equipment or labour; inability to retain key management and personnel; changes to regulations or policies affecting the Company's activities in exploration and development and the frac sand processing business; the uncertainties involved in interpreting geological data; and the other risks disclosed under the heading "Risks and Uncertainties" and elsewhere. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

April 29, 2021