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**POWER NICKEL INC.  
(FORMERLY CHILEAN METALS INC.)  
MANAGEMENT'S DISCUSSION AND ANALYSIS -  
QUARTERLY HIGHLIGHTS  
THREE AND SIX MONTHS ENDED JUNE 30, 2021**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS - QUARTERLY HIGHLIGHTS**

The following Management's Discussion and Analysis ("MD&A") of Power Nickel Inc. (Formerly Chilean Metals Inc.) (the "Company") for the three and six months ended June 30, 2021 is dated as of August 30, 2021 and has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management discussion & analysis, being the Management Discussion & Analysis ("Annual MD&A") for the fiscal year ended December 31, 2020. This MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

The MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the three and six months ended June 30, 2021 in addition to the audited annual consolidated financial statements for the years ended December 31, 2020 and 2019, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's unaudited condensed consolidated interim financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS. Information contained herein is presented as of August 30, 2021, unless otherwise indicated.

For the purposes of preparing this MD&A, Management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

The Company's shares are listed on the TSX Venture Exchange ("TSX-V") and Santiago Stock Exchange, Venture Market. Further information about the Company and its operations can be obtained from the offices of the Company or from [www.sedar.com](http://www.sedar.com) and the Company's website [www.chileanmetals.com](http://www.chileanmetals.com).

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

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward looking statements.

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Forward-looking statements	Assumptions	Risk factors
<p>Potential of the Company's properties to contain economic deposits of any precious and base metals discovered</p>	<p>Financing will be available for future exploration and development of the Company's properties; the actual results of the Company's exploration and development activities will be favourable; operating, exploration and development costs will not exceed the Company's expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company, and applicable political and economic conditions are favourable to the Company; the price of precious and base metals and applicable interest and exchange rates will be favourable to the Company; no title disputes exist with respect to the Company's properties</p>	<p>Price volatility of precious and base metals; uncertainties involved in interpreting geological data and confirming title to acquired properties; the possibility that future exploration results will not be consistent with the Company's expectations; availability of financing for and actual results of the Company's exploration and development activities; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff; availability of permits</p>
<p>The Company has no source of revenue and it will require additional cash resources to meet its administrative overhead and maintain its mineral investments for the next twelve months, starting from June 30, 2021</p> <p>The Company expects to incur further losses in the development of its business and will need to raise additional financing to meet its financial requirements</p>	<p>The operating and exploration activities of the Company for the next twelve months and beyond, starting from June 30, 2021, and the costs associated therewith, will be consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to the Company</p>	<p>Changes in debt and equity markets; timing and availability of external financing on acceptable terms; changes in the operations currently planned; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions</p>
<p>The Company's ability to carry out anticipated exploration and maintenance on its property interests and its anticipated use of cash</p>	<p>The exploration and maintenance activities of the Company for the year ended December 31, 2021, and the costs associated therewith, will be consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to the Company</p>	<p>Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; changes in the operations currently planned; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions; receipt of applicable permits</p>
<p>Sensitivity analysis of financial instruments</p>	<p>Foreign exchange rates will not be subject to change in excess of plus or minus 1%</p>	<p>Changes in exchange rate fluctuations</p>

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<p>Plans, costs, timing and capital for future exploration and development of the Company's property interests, including the costs and potential impact of complying with existing and proposed laws and regulations</p>	<p>Financing will be available for the Company's exploration and development activities and the results thereof will be favourable; actual operating and exploration costs will be consistent with the Company's current expectations; the Company will be able to retain and attract skilled staff; all applicable regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company; the Company will not be adversely affected by market competition; debt and equity markets, exchange and interest rates and other applicable economic and political conditions are favourable to the Company; the price of precious and base metals will be favourable to the Company; no title disputes exist with respect to the Company's properties</p>	<p>Price volatility of any mineral discovered, changes in debt and equity markets; timing and availability of external financing on acceptable terms; the uncertainties involved in interpreting geological data and confirming title to acquired properties; the possibility that future exploration results will not be consistent with the Company's expectations; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff; availability of permits; market competition</p>
<p>Management's outlook regarding future trends, including the future price of any precious and base metals discovered and availability of future financing</p>	<p>Financing will be available for the Company's exploration and operating activities; the price of applicable minerals will be favourable to the Company</p>	<p>Price volatility of any precious and base metals discovered; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions; availability of financing</p>
<p>Prices and price volatility for precious and base metals</p>	<p>The price of precious and base metals will be favourable; debt and equity markets, interest and exchange rates and other economic factors which may impact the price of precious and base metals will be favourable</p>	<p>Changes in debt and equity markets and the spot price of precious and base metals, if available; interest rate and exchange rate fluctuations; changes in economic and political conditions</p>

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please, in addition, also make reference to those risk factors referenced in the "Risk Factors" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

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## **CORPORATE GOVERNANCE**

Management of the Company is responsible for the preparation and presentation of the unaudited condensed interim consolidated financial statements and notes thereto. Additionally, it is Management's responsibility to ensure the Company complies with the laws and regulations applicable to its activities.

The Company's Management is held accountable to the Board of Directors ("Directors"), each member of which is elected annually by the shareholders of the Company. The Directors are responsible for reviewing and approving the financial statements and the MD&A. Responsibility for the review and approval of the Company's financial statements and MD&A is delegated by the Directors to the Audit Committee, which is composed of three directors. Additionally, the Audit Committee pre-approves audit and non-audit services provided by the Company's auditors.

The auditors are appointed annually by the shareholders to conduct an audit of the financial statements in accordance with generally accepted auditing standards. The external auditors have complete access to the Audit Committee to discuss audit, financial reporting and related matters resulting from the annual audit as well as assist the members of the Audit Committee in discharging their corporate governance responsibilities.

## **DESCRIPTION OF BUSINESS**

Power Nickel Inc. (formerly Chilean Metals Inc.) is a resource exploration company involved in exploring for lithium, gold, silver, copper, cobalt and nickel on its various properties located in Chile, and Canada (Quebec & British Columbia). Exploring in Chile is done through its wholly owned subsidiaries in Chile, being Minera IPBX Limitada ("IPBX"), Minera Tierra de Oro Limitada, Minera Palo Negro Limitada and Minera Sierra Pintada Limitada ("Power Nickel Subsidiaries").

## **OVERALL PERFORMANCE**

As at June 30, 2021, the Company had assets of \$2,700,733 and a net equity position of \$558,768. This compares with assets of \$502,692 and a net deficiency position of \$1,317,342 at December 31, 2020. At June 30, 2021, the Company had \$2,141,965 of liabilities (December 31, 2020 – \$1,820,034).

At June 30, 2021, the Company had a working capital of \$1,254,267, compared to working capital deficit of \$680,355 at December 31, 2020, a change of \$1,934,622. The Company had cash of \$2,318,225 at June 30, 2021, compared to cash of \$179,272 at December 31, 2020, an increase of \$2,138,953. The Company needs to secure additional financing to carry on business activities for the twelve months ending June 30, 2022 (see below).

## **EXPLORATION**

### **Zulema, Chile**

In 2013, the Company acquired 23 exploration concessions totaling approximately 2,105 hectares surrounding its five then existing Zulema mining concessions in Chile's Third Region. In 2014, the Company acquired nine additional mining concessions totaling 724 hectares from a third party. In March 2015, the Company completed the acquisition from another third party of three additional mining concessions totaling 600 hectares. The Zulema property now consists of 4,300 hectares (10,626 acres). All concessions are held 100% by IPBX and Minera Palo Negro Ltda, with no underlying third party royalty or net profits interest. The project is located 30 kilometres from the giant Cu Au Candelaria mine of Lundin Mining Corporation and in a very similar geological environment.

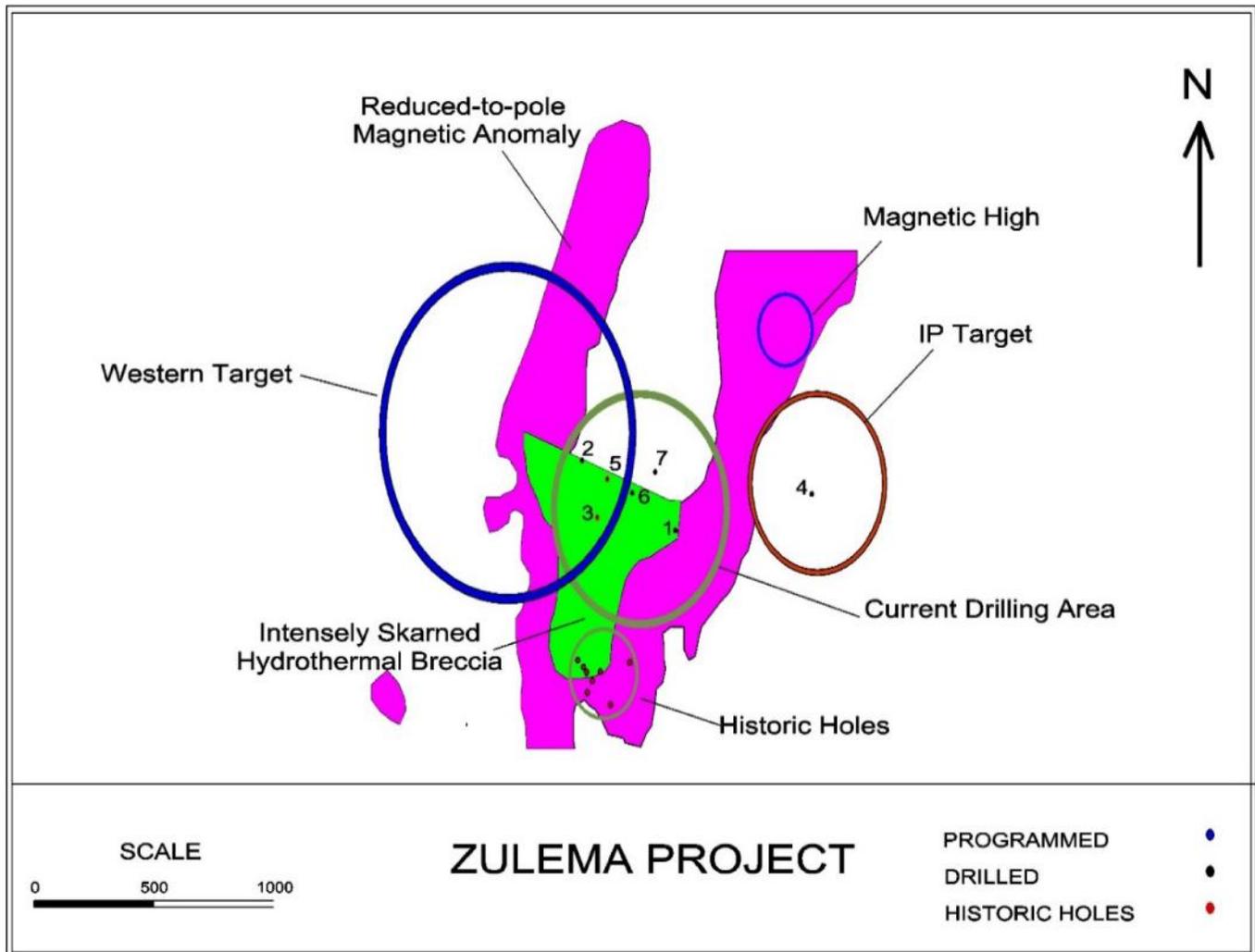
During the year ended December 31, 2017, the Company commenced drilling its Zulema project. With the Candelaria mine as a model, the exploratory drill program is testing two geologically distinct targets: a 1+ square km. area of intense garnet scapolite skarn breccia (Skarn Target) and a large Induced Polarization chargeability anomaly on its eastern flank. (IP Target). The initial results released on February 27, 2017 suggested to Chilean that it had found in our assessment, IOCG style mineralization.

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Drill holes 1, 6 and 7 assisted in defining the boundaries of the eastern skarn and related sulphide mineralization. Drill hole 4, targeting the IP target, was terminated before reaching bedrock. The target remains open. Hole 3 had a six meter section from 285.32 – 291.32 meters which contained 0.66% Cu, 23.6% Fe and .52 grams of gold/tonne. It also contained an additional intercept from 325.20 to 335.20 that assayed .34% Cu, 10 % Fe and .16 grams of gold/tonne. Hole 5 located 272 meters north and east of 3 also had some interesting highlights. In particular, we see several lenses of two and four meters in length with individual 2 meters sections assaying up to .43% Cu, 4,9 % Fe and .29 grams of gold/tonne.

Initial drill results confirm that host rocks and alteration fit the Candelaria model. The presence of copper-bearing magnetite skarn, interbedded magnetite chalcopyrite bands, more massive chalcopyrite in drill hole 5, biotite magnetite alteration, potassic (K-spar), magnetite and hematite veining and local mineralized breccias suggests proximity to the main mineralized target.

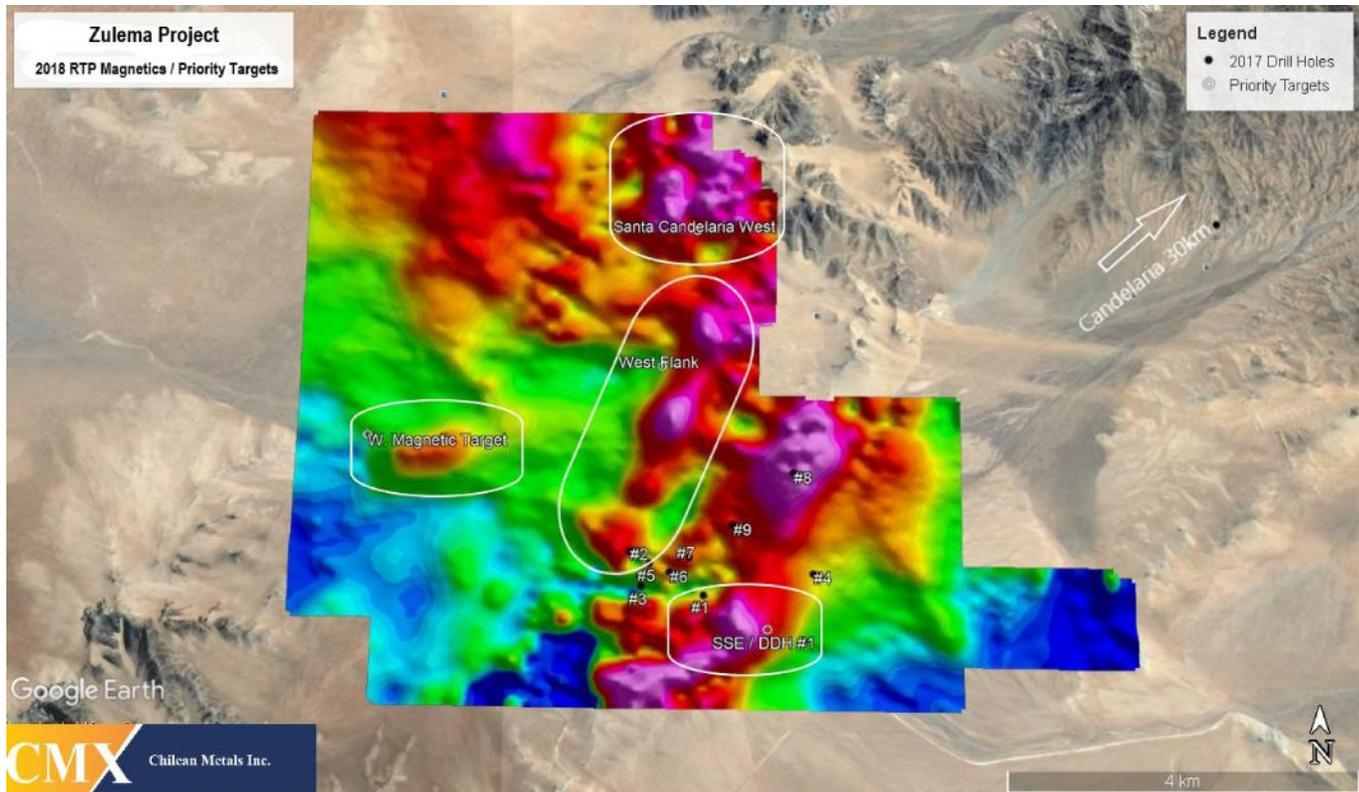
A review of the drill core has been completed with the results suggesting the focus of ongoing exploration should be towards the west near drill holes 2, 3 and 5 where the skarn appears a more receptive host for mineralization. In drill hole 2, quartz stock-working and siliceous breccia suggest proximity to a high temperature heat source / intrusion. Directly east of drill hole 2 at drill-hole 5, widespread low grade copper mineralization is accompanied by a more robust style of chalcopyrite occurring as large 1 cm. clots within the skarn. Due south of 5, drill hole 3 contained large sections of skarn including several lenses of iron rich, IOCG style copper mineralization. Holes 2, 3, 5 assays are reported in detail in the April 3, 2017 press release.



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The Company engaged Southern Rock Geophysics, a consulting firm with over 20 years experience in the Andean Region. Familiar with both the Porphyry and IOCG depositional models, Southern Rock brings the expertise required to search for a blind target in the challenging desert of Chile.

242-line kilometers of data was collected along 55 north – south survey line segments in order to assist in target selection prior to the Company’s planned Phase II drill program. The results of the survey were positive, delineating 4 key target areas for detailed follow-up in 2019.



The magnetic survey delineated a 2km. wide corridor trending northeast from the southern margin of the survey area north to the Santa Candelaria workings as shown in Figure 1. A preliminary review of the data indicates there are 4 target areas that require detailed follow-up. From north to south, the targets are Santa Candelaria West, the West Flank, SW Magnetic High and SSE / DDH#1.

The Santa Candelaria target lies due west of the Santa Candelaria mine workings where Cu mineralization is characterized by chalcopyrite disseminations and veins within a magnetite / hematite calcsilicate skarn. Exposure is relatively abundant west of the workings and will be investigated prior to the commencement of a gravity survey.

The West Flank of the magnetic corridor is a priority target due to the style of mineralization encountered in drill hole #5 where coarse-grained chalcopyrite was noted at depth. Elevated magnetics northwest of Drill hole #5 in addition to a large peak along the western edge of the corridor are priority targets.

In the western portion of the project, the SW Magnetic Target is easily identifiable and located due east of a copper showing and along a NW trending lineament. The target is covered by alluvial material and will require additional ground geophysics and processing to resolve its potential.

To the southeast of drill hole #1, a magnetic high has been identified along the eastern edge of the magnetic corridor. This target is along the eastern edge of a copper bearing hydrothermal breccia that was drilled in 2017. Its location along a very sharp magnetic boundary at an interpreted intersection of the same NW trending lineament crosscutting the SW Magnetic Target makes it a priority.

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The Company intends to conduct additional IP Ground work on specific Zulema targets prior to developing drilling plans which it expects to conduct in 2021.

**Tierra de Oro (TDO), Chile**

Tierra de Oro is an advanced stage exploration project located in Region III on the eastern flank of Chile's Coastal Iron Oxide Copper Gold belt. The property lies about 50 kilometres south of the large Candelaria copper-gold-silver-iron mine. It consists of 5,667 hectares covering the historic Chanchero gold camp and numerous areas of historic oxide copper workings.

The Company initially became involved in the property in 1996 as a joint venture with Princeton Mining to explore for acid-soluble copper deposits. During the course of this exploration the Chanchero gold camp was re-discovered and added to the property. In 1998 the Company bought out Princeton's interest. The property was dormant between 1999 and 2002 but reactivated in late 2003. To date the Company has conducted property-wide geological, geochemical, geophysical surveys and limited trenching and drilling. The surveys delineated five major gold bearing structure zones between 200 and 1000 metres in length. Within these zones a number of gold exploration targets were identified.

In November 2007, the Company commenced a 7,000 metre drill program to test the identified gold targets. Drill results failed to corroborate the positive gold values obtained by previous surface sampling. However, areas of significant silver-copper mineralization identified in shears and mantos within volcanic strata in the eastern sector of the property justified additional work. Highlights included drill hole RC56, which intersected 40 metres of 16 g/t silver including 13 metres of 40 g/t silver and RC58 which intersected 40 metres of 8.2 g/t silver.

On February 21, 2008, following completion of an induced polarization ("IP") survey, the Company announced the discovery of an IP anomaly in the Chanchero zone. The large near-surface anomaly is elongated northeast-southwest, the core of which measures 900 by 300 metres and is open to extension at depth. The intensity and homogeneity of this chargeability response, coincident with a strong magnetic low anomaly and coupled with the presence of an altered porphyry intrusion may indicate the presence of a large sulphide-rich system at moderate depth.

In February 2011 the Company completed an Airborne ZTEM survey over the Tierra de Oro property in areas where potential iron oxide copper gold ("IOCG") targets and mineralized zones had been previously identified by geological, geochemical and ground geophysical programs. Two magnetic anomalies of significant size were identified: one north of the Chanchero zone and another located in the area known as Las Lomitas zone and associated with copper-silver manto prospects.

In the spring and summer of 2013 a complete review and analysis of TDO was completed by Dr. Chris Hodgson. As a result, the Company has identified two potential bulk copper-gold targets that the Company believes warrant a targeted exploratory drill program.

During the year ended December 31, 2019, the Company engaged the services of Windfall Geotek (formerly Albert Mining); a leading Artificial Intelligence firm in the mining sector. Windfal used its proprietary CARDS (Computer Aided Resource Detection System) to analyze the many years of geological, geophysical and geochemical data accumulated by CMX. The data identified five areas of interest. One is the primary drilling target previously identified as Chanchero. The other four are gold copper targets.

On November 18, 2020, the Company announced that it has started on Phase 1 of drilling at its Tierra de Oro (Land of Gold) project in 3rd Region of Atacama about 75 km south of Copiapó, Chile.

The phase 1 drilling program at Tierra de Oro was focused on the Chanchero zone and further confirmed the existence of a strong hydrothermal system in the local area. Drilling demonstrated discontinuous fault bound zones of characteristic phyllic-propylitic-argillic alteration, and widespread pyrite mineralization in stockworks and veins in most of the drillholes. A total of five diamond drill holes were completed for a total of 1,500 m of recovered core, resulting in approximately 850 collected samples. Laboratory results have been received for all of the 5 holes completed. The preliminary highlight of the program was intersected in Hole 3 where a two-metre sample at 120 m depth encountered anomalous grades of 716 g/t Silver and 0.453% Copper, adjacent to a highly fractured fault zone with no core recovery.

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The project area is structurally controlled by the Elisa de Bordos fault, separating 2 domains; an intrusive one associated with Gold, where the Chancheros project is located, and another volcanoclastic domain associated with Copper – Silver, where the Las Lomitas and Jaqueline projects are located.

The AI study delivered targets for surface exploration at Las Lomitas where the results obtained from ground truth sampling from nine (9) rock chip samples graded between 0.77% to 3.23% Copper and 22 to 169 g/t Silver. The next steps to follow is to perform geophysics on these areas to identify new targets of drilling.

The 5,675 hectare project has several geological areas of interest the Company will be exploring following an Artificial Intelligence (AI) analysis generated by leading AI mining service provider Windfall Geotek.

### **Other Chile Properties**

The Company owns additional mining concessions in Chile related to the Hornitos, Palo Negro and Tabaco properties.

### **Nisk Property**

On December 22, 2020 the Company entered into an option agreement with Critical Elements Limited (“Critical”) to acquire a 50% interest in the Nisk property (the “First Option”). Upon completion of the terms of the First Option the Company also has a Second Option to increase its interest from 50% to 80% by incurring or funding additional work in the amount of \$2,200,000 including a Resource Estimate for a period of four years from the effective date of completion of the First Option.

Under the terms of the agreement the requirements to exercise the First Option are:

- (a) Make cash payments totaling \$500,000 to Critical on or before the dates set out below:
  - (i) A non-refundable amount of \$25,000 on the date of execution of the agreement; (paid)
  - (ii) An amount of \$225,000 within a delay of five (5) Business Days following the Effective Date; and (paid)
  - (iii) An amount \$250,000 within a delay of six (6) months from the Effective Date;
- (b) issue 12,051,770 Shares within a delay of five (5) Business Days following the Effective Date. (issued)
- (c) incur an aggregate of \$2,800,000 of Work Expenditures on the Property on or before the dates set out below:
  - (i) \$500,000 in Work Expenditures on or before the date that is one (1) year from Effective Date;
  - (ii) \$800,000 in Work Expenditures on or before the date that is two (2) years from Effective Date; and
  - (iii) \$1,500,000 in Work Expenditures on or before the date that is three (3) years from Effective Date;

Following the exercise of the First Option Critical will receive a 2% net smelter return from the extraction and production of lithium products, of which Chilean may reduce to 1% upon paying \$1,000,000 in cash.

### **Golden Ivan Property**

Golden Ivan is located approx. 3 kilometers to the east of Stewart, BC in the heart of the Golden Triangle. The Golden Ivan property consists of thirteen (13) mineral claims, all in good standing, for a total area of approximately 797 hectares.

On January 14, 2021, the Company announced it finalized an agreement dated October 7, 2020 to acquire 100% of the Golden Ivan property via a series of option payments and work commitments. On June 29, 2021, the agreement was revised to eliminate the cash payments and work commitment and expedite the payment by shares while reducing the overall quantity of shares by 1,000,000 shares from the original agreement. The revised terms are as follows:

- (i) 3,900,000 common shares within five Business Days after receipt of the TSXV Approval; (issued)
- (ii) 6,000,000 common shares on or before June 29, 2021 subject to TSXV Approval; (issued)

On performance of the payments noted above and completion of the work commitments the Company would acquire a 100% interest subject only to a 2.5% NSR royalty. The Company retains the option to purchase 40% of this royalty for a one-time payment of \$1,000,000.

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Costs incurred on the Company's exploration and evaluation assets for the six months ended June 30, 2021 and June 30, 2020:

	Zulema	Nisk	Golden Ivan	Total
Claim costs	\$ 7,088	\$ -	\$ -	\$ 7,088
Field costs	26,554	-	-	26,554
<b>Balance, June 30, 2020</b>	<b>\$ 33,642</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 33,642</b>

	Zulema	Nisk	Golden Ivan	Total
Assays	\$ 3,423	\$ -	\$ -	\$ 3,423
Claim costs	4,157	-	-	4,157
Option payments	-	4,168,246	1,829,100	5,997,346
Field costs	20,075	-	-	20,075
Geophysics & geological	51,827	21,885	14,314	88,026
<b>Balance, June 30, 2021</b>	<b>\$ 79,482</b>	<b>\$ 4,190,131</b>	<b>\$ 1,843,414</b>	<b>\$ 6,113,027</b>

### **QUALIFIED PERSON**

Qualified Person Luke van der Meer, P.Geo. (Licence # 37848), Independent Geological Consultant, and Qualified Person under NI 43-101, has reviewed and approved the technical content of this release.

### **RESULTS OF OPERATIONS**

#### Six months ended June 30, 2021, compared with six months ended June 30, 2020

The Company's loss for the six months ended June 30, 2021 was \$8,321,362 (\$0.13 per share), compared to \$365,412 (\$0.03 per share) for the six months ended June 30, 2020. Significant variations are described below.

Exploration and acquisition costs amounted to \$6,113,027 for the six months ended June 30, 2021 (six months ended June 30, 2020 - \$33,642), an increase of \$6,079,385 from the comparative period. See "Exploration" above for description of work done.

Share-based payments amounted to \$1,456,846 for the six months ended June 30, 2021 (six months ended June 30, 2020 - \$nil), an increase of \$1,456,846 from the comparative period. This was a result of the Company granting 5,500,000 stock options during the six months ended June 30, 2021, and nil during the comparative period.

Administration fees were \$212,488 for six months ended June 30, 2021 (six months ended June 30, 2020 - \$164,900). The increase of \$47,588 from the comparative period was due to an increase in compensation to the directors.

Investor relations, and travel, promotion and mining shows fees incurred for six months ended June 30, 2021 were \$312,355 (six months ended June 30, 2020 - \$37,587). The increase of \$274,768 from the comparative period was mainly due to promotional activities of the Company's properties.

#### Three months ended June 30, 2021, compared with three months ended June 30, 2020

The Company's loss for the three months ended June 30, 2021 was \$2,514,316 (\$0.03 per share), compared to loss of \$137,428 (\$0.01 per share) for 2020. Significant variations are described below.

Exploration and acquisition costs amounted to \$714,278 (2020 - \$17,543), an increase of \$696,735 from the comparative period. See "Exploration" above for description of work done.

Share-based payments amounted to \$1,417,435 for the three months ended June 30, 2021 (three months ended June 30, 2020 - \$nil), an increase of \$1,417,435 from the comparative period. This was a result of the Company granting stock options, and vesting from prior periods during the three months ended June 30, 2021, and nil during the comparative period.

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Administration fees incurred for three months ended June 30, 2021 were \$119,456 (three months ended June 30, 2020 - \$77,847). The increase of \$41,609 from the comparative period was due to an increase in compensation to the directors.

Investor relations and travel, promotion and mining shows fees incurred for three months ended June 30, 2021 were \$180,473 (three months ended June 30, 2020 - \$3,009). The increase of \$177,464 from the comparative period was mainly due to increased activity related to promotional activities of the Company's properties, and updates to the Company's website.

### **LIQUIDITY AND CAPITAL RESOURCES**

The Company finances its operations through the sale of its equity securities, bridge loans and other financing activities. The Company has no producing mineral properties. The Company expects to obtain financing in the future primarily through equity financing, loans and convertible debt instruments. There can be no assurance that the Company will succeed in obtaining additional financing, now and in the future. Failure to raise additional financing on a timely basis could cause the Company to suspend its operations and/or sell its interests in its properties.

The continuing operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management believes it will be able to raise funds as required in the long term, but recognizes the risks attached thereto.

As at June 30, 2021, the Company had cash, amounts receivable, advances, prepaid expenses and deposits, and amounts due from related parties of \$2,685,090 (December 31, 2020 - \$484,289) and liabilities of \$2,141,965 (December 31, 2020 - \$1,820,034).

As of June 30, 2021, the Company has a working capital surplus of \$1,254,267 (December 31, 2020 - working capital deficit of \$680,355). The Company intends to continue to raise additional debt or equity funds to meet its short-term commitments and its ongoing exploration activities (see "Overall Performance"). Liabilities include a flow-through liability of \$480,000 which is not settled through cash payments, instead this balance is amortized against qualifying flow-through expenditures. Pursuant to the terms of flow-through share agreement, the Corporation is in the process of complying with its flow-through contractual obligations to subscribers with respect to the Income Tax Act (Canada) requirements for flow-through shares. As of June 30, 2021, the Corporation was committed to incurring approximately \$1,280,000 in Canadian Exploration Expenditures (as such term is defined in the Income Tax Act (Canada)) by December 31, 2022 arising from the flow-through offerings.

During the six months ended June 30, 2021, the Company had cash out flows from operating activities of \$1,066,738 (six months ended June 30, 2020 - \$188,904 used in operating activities). Cash operating activities and used in operations consist of cash used to fund the loss for the period less the impact of non cash items, and the cash used for working capital purposes.

During the six months ended June 30, 2021, the Company received net cash of \$3,205,280 (six months ended June 30, 2020 - \$185,569) from financing activities, as the Company received cash of \$259,000 from the exercise of options, \$948,515 from the exercise of warrants, and on May 4, 2021 the Company completed a non-brokered private placement to raise funds of \$1,997,765 (net of costs).

During the six months ended June 30, 2021, the Company received net cash of \$411 (six months ended June 30, 2020 - \$nil) from investing activities, as the Company entered into a short-term loan agreement with Granby Gold whereby the Company provided a loan of \$50,000 with an interest rate of 6% per annum. The funds were advanced in January 2021, and repaid in February 2021.

### **ENVIROMENTAL LIABILITIES**

The Company is not aware of any environmental liabilities or obligations associated with its mineral properties. The Company is conducting its operations in a manner consistent with governing environmental legislation.

**Power Nickel Inc.**  
**(Formerly Chilean Metals Inc.)**  
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**OFF BALANCE SHEET ARRANGEMENTS**

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

**RELATED PARTY BALANCES AND TRANSACTIONS**

Related parties include the Board of Directors, officers, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

As at June 30, 2021, the directors and/or officers of the Company collectively control 4,341,749 (December 31, 2020 - 3,078,815) common shares of the Company or approximately 5.2% (December 31, 2020 - 7%) of the total common shares outstanding and two insiders of the Company control 15,702,560 (December 31, 2020 - 4,333,028) common shares of the Company or approximately 19% (December 31, 2020 - 10%) of the total common shares outstanding. To the knowledge of directors and officers of the Company, the remainder of the outstanding common shares are held by diverse shareholders. These holdings can change at any time at the discretion of the owner.

(a) The Company entered into the following transactions with related parties:

	Notes	Three months ended June 30,		Six months ended June 30,	
		2021	2020	2021	2020
Administration expense	(i)(iii)	\$ 131,250	\$ 81,250	\$ 225,000	\$ 162,500
Accounting expense	(ii)	\$ 25,576	\$ 9,028	\$ 33,580	\$ 21,171
Stock based compensation	(v)	\$ 1,297,660	\$ -	\$ 1,297,660	\$ -

(i) For the three and six months ended June 30, 2021, the Company incurred consulting fees from a company controlled by an officer and a director of \$56,250 and \$112,500 (three and six months ended June 30, 2021 - \$50,000 and \$100,000) recorded in administration fees.

(ii) For the three and six months ended June 30, 2021, the Company incurred accounting expenses from companies related to an officer of \$25,576 and \$33,580 (three and six months ended June 30, 2021 - \$9,028 and \$21,171) recorded in professional fees.

(iii) For the three and six months ended June 30, 2021, the Company incurred director fees of \$25,000 and \$62,500 (three and six months ended June 30, 2021 - \$31,250 and \$62,500) recorded in administration fees.

(iv) For the three and six months ended June 30, 2021, the Company incurred consulting fees from a director of \$50,000 (three and six months ended June 30, 2020 - \$nil) recorded in administration fees.

(v) As at June 30, 2021, the Company has \$184,700 (December 31, 2020 - \$60,662) outstanding from officer and director.

(vi) As at June 30, 2021, included in accounts payable and accrued liabilities is \$147,020 (December 31, 2020 - \$120,614) due to directors and key management, these amounts are unsecured, non-interest bearing, and due on demand.

(vii) During the six months ended June 30, 2021, the Company received advances to shareholders of \$nil (six months ended June 30, 2020 - received advances of \$45,000). These amounts are unsecured, due on demand and non-interest bearing. As at June 30, 2021, the balance outstanding was \$7,000 (December 31, 2020 - \$7,000).

(viii) During the six months ended June 30, 2021, the Company repaid advances to shareholders of \$37,084 (six months ended June 30, 2020 - \$nil). As at June 30, 2021, the Company has \$nil (December 31, 2020 - \$39,084) due to a significant shareholder included in due to related parties.

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(ix) As at June 30, 2021, the Company has \$nil (December 31, 2020 - \$100,000) receivable from a significant shareholder, this amount is included in accounts receivable.

(x) During the six months ended June 30, 2021, officers and directors exercised 3,050,000 stock options with a weighted average exercise price of \$0.14 and a black scholes value of \$332,595.

(xi) During the six months ended June 30, 2021, the Company granted stock options to directors and officers of the Company for the purchase of a total of 4,450,000 common shares.

(xii) The Company has entered into a consulting agreement with a company controlled by Directors and Officers of the Company. The obligation under these agreements amounts to \$350,000 per year. The Company has committed to these payments for the 2021 fiscal year.

Payments to directors and key management personnel of the Company include certain transactions with related parties in (a) above, and (b) remuneration to directors and key management personnel of the Company. The above noted transactions are in the normal course of business and approved by the Board of Directors.

## **ACCOUNTING POLICIES**

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

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

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

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period"
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

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

## **TRENDS AND ECONOMIC CONDITIONS**

The Company continues to monitor its spending and will amend its plans based on business opportunities that may arise in the future. Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in both short-term operating and longer term strategic decisions.

Due to the worldwide COVID-19 pandemic, material uncertainties may arise that could influence management's going concern assumption. Management cannot accurately predict the future impact COVID-19 may have on:

- Global gold prices
- Demand for gold and the ability to explore for gold;
- The severity and the length of potential measures taken by governments to manage the spread of the virus, and their effect on service provider availability, such as legal and accounting;
- Purchasing power of the Canadian dollar; and
- Ability to obtain funding.

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

As of the date of this MD&A, the Company has the following securities issued and outstanding: (a) 84,243,773 Common Shares; (b) 19,850,506 Warrants; and (c) 7,011,000 Stock options.

## **SUBSEQUENT EVENTS**

On July 5, 2021, the Company made the final cash payment of \$250,000 in accordance with the agreement signed with Critical on December 22, 2020.

On July 9, 2021 the Company changed its name to Power Nickel Inc., and will trade under its new symbol PNP on the TSX-V on July 12, 2021. The Company also announced plans create a subsidiary Consolidation Gold and Copper Inc. to be spun out as a separate public company where it will hold the interests in the British Columbia Golden Ivan project and all the Chile based assets and the complete suite of assets and sufficient capital for one year of operations. The proposed transaction will be carried out by way of a court-approved plan of arrangement under the Business Corporations Act (British Columbia) and are subject to a number of conditions being satisfied or waived at or prior to closing, including approval of the shareholders of Power Nickel and receipt of all necessary regulatory, TSXV and court approvals and the satisfaction of certain other closing conditions customary for a transaction of this nature. A special meeting of the shareholders to approve the proposed transaction will be held closer to finalization of the transaction.

## **DISCLOSURE OF INTERNAL CONTROLS**

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements; and (ii) the consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate filed by the Company does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **RISKS AND UNCERTAINTIES**

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk and Uncertainties" in the Company's annual management's discussion & analysis for the fiscal year ended December 31, 2020, available on SEDAR at [www.sedar.com](http://www.sedar.com).