

PALLADIUM ONE MINING INC.

(formerly "Nickel One Resources Inc.")
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended December 31, 2019

INTRODUCTION

The management discussion and analysis of financial condition and results of operations ("MD&A") focuses upon the activities, results of operations, liquidity and capital resources of Palladium One Mining Inc. (the "Company" or "Palladium One") for the year ended December 31, 2019. In order to better understand the MD&A, it should be read in conjunction with the audited financial statements and related notes for the year ended December 31, 2019. The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and filed with appropriate regulatory authorities in Canada. This MD&A is current to April 27, 2020 and in Canadian dollars unless otherwise stated.

FORWARD LOOKING STATEMENTS

Information set forth in this MD&A may involve forward-looking statements under applicable securities laws. Forward-looking statements are statements that relate to future, not past, events. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including, without limitation; statements about the size and timing of future exploration on and the development of the Company's properties are forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following risks: the need for additional financing; operational risks associated with mineral exploration; fluctuations in commodity prices; title matters; environmental liability claims and insurance; reliance on key personnel; the volatility of our common share price and volume and other reports and filings with the TSX Venture Exchange ("TSX-V") and applicable Canadian securities regulations. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date that statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable securities laws. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies the Company is bound. Investors are cautioned against attributing undue certainty to forward-looking statements.

The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR (www.SEDAR.com).

This MD&A has been prepared in accordance with the requirements of National Instrument 43-101, "Standards of Disclosure for Mineral Projects", and National Instrument 51-102, "Continuous Disclosure Obligations."

OVERVIEW

Palladium One Mining Inc. ("Palladium" or the "Company", formerly Nickel One Resources Inc.) is a mineral exploration and development company listed on the TSX Venture Exchange ("TSX-V") under the symbol "PDM" and is engaged in the exploration of mineral properties. Its assets consist of the Lantinen Koillismaa ("LK") PGE-Cu-Ni and Kostonjarvi ("KS") Cu-Ni-PGE projects, located in North-Central Finland and the Tyko Ni-Cu-PGE and Disraeli PGE-Ni-Cu projects, near Thunder Bay, Ontario, Canada.

On May 3, 2019, the Company changed its name from Nickel One Resources Inc. to Palladium One Mining Inc. and its stock symbol from NNN to PDM.

HIGHLIGHTS OF EVENTS OCCURRING DURING AND SUBSEQUENT TO THE YEAR ENDED DECEMBER 31, 2019

Change of Board and Management

On March 28, 2019, the Company announced that Mr. Derrick Weyrauch was appointed as Interim President and Chief Executive Officer and Director of the Company. Mr. Weyrauch is an experienced mining executive and corporate director with a CPA CA designation. His background includes finance, risk management, corporate restructuring and turnarounds, coupled with M&A strategy development, execution and post transaction integration.

On March 28, 2019, the Company appointed Mr. Lawrence Roulston to the board of directors. Mr. Roulston is a mining professional with over 35 years of diverse hands-on experience. He is an advisor who is providing business advisory and capital markets expertise to the junior and mid-tier sectors of the mining industry.

On September 5, 2019, the Company appointed Mr. Neil Pettigrew as its Vice President - Exploration. Neil Pettigrew M.Sc., P.Ge. is a geologist with 20 years of experience in the mineral exploration industry. He has worked for several junior and major companies in gold and Cu-Ni-PGE exploration, and has held officer and director positions at several TSX and TSX-V listed junior companies.

On September 10, 2019, the Company announced the appointment of Dr. Peter C. Lightfoot to the board of directors. Dr. Peter C. Lightfoot, P.Ge. is an independent consultant to the global minerals industry, providing services to companies exploring for magmatic nickel-cobalt-copper and precious metal ore deposits. During a 20-year career as a geologist with Inco and Vale he was responsible for nickel exploration at Voisey's Bay, Sudbury and Carajas, and was involved in international project generation, evaluation and technical support.

Name change and share consolidation

On May 3, 2019, the Company consolidated its share capital on a ratio of one (1) new post-consolidated common share for every two (2) old pre-consolidated common shares. All shares and per share references in this MD&A have been retroactively restated accordingly unless noted otherwise.

Financing

On May 9, 2019, the Company completed a non-brokered private placement and issued 16,912,000 units at a price of \$0.08 per unit for gross proceeds \$1,352,960. Each unit consists of one common share and one common share purchase warrant. Each whole common share purchase warrant is exercisable into one common share for a period of two years from closing at a price of \$0.12 per share. The Company incurred a total of \$19,404 in share issuance costs related to the private placement. The warrants were allocated a value of \$nil using the residual value allocation method.

On October 18, 2019, the Company completed a non-brokered flow-through private placement and issued 500,000 units at a price of \$0.10 for gross proceeds of \$50,000. Each unit consists of one flow-through common share and one common share purchase warrant. Each purchase warrant is exercisable for two years at a price of \$0.12. The Warrants are subject to an acceleration provision: if the shares close at \$0.20 or more for ten consecutive trading days on the TSX-Venture Exchange, the Company has the right to accelerate the expiry. A flow-through premium liability of \$22,500 was recognized in respect of these flow-through shares.

On December 2, 2019, the Company completed a non-brokered private placement offering, issuing 63,102,999 units for total gross proceeds of \$3,786,180 at a price of \$0.06 per unit. Each Unit is comprised of one common share in the capital of the Company, one-half of one non-transferable Common Share purchase warrant, exercisable at \$0.10 for the first year then \$0.20 for a further year, and one-quarter of one non-transferable Common Share purchase warrant, exercisable for \$0.15 for one year. The warrants were allocated a value of \$nil using the residual value allocation method. In addition, the Company incurred a total of \$93,837 in share issuance costs (of which \$12,408 remains in accounts payable), issued 2,487,000 common shares valued at \$nil and issued 1,956,250 finders warrants with a fair value of \$55,465 in connection with the private placement.

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1,334,500 of the finders’ warrants are exercisable at \$0.10 for the first year then \$0.20 for a further year and the remaining 621,750 are exercisable at \$0.15 for a period of one year from the grant date.

Subsequent to the year ended December 31, 2019, an additional 4,751,250 units were issued upon exercise of warrants for proceeds of \$570,150, and 75,000 units were issued upon option exercise for proceeds of \$6,000.

Settlement of Debts

On March 18, 2019, the Company settled debt with various officers and directors, resulting in a gain on settlement of debt of \$124,020 (2018 - \$10,000). This amount has been netted against other vendors’ gains or losses on the settlement of debt.

On May 13, 2019, the Company issued 925,072 common shares at a value of \$0.12 per share to settle \$95,557 in accounts payable which resulted in loss on settlement of debt of \$15,452. The arm’s length parties are consultants and service providers that provided various services to the Company in 2016 and 2017.

Options

On June 10, 2019, the Company granted 2,400,000 stock options with a fair value of \$111,178 to certain directors, officers, consultants and advisors, exercisable at a price of \$0.08 per common share for a period of 5 years and vesting immediately.

On September 30, 2019, the Company granted 1,125,000 stock options with a fair value of \$30,608 to certain directors, officers, consultants, and advisors, exercisable at a price of \$0.08 per common share for a period of 5 years and vesting immediately.

On December 29, 2019, the Company granted 5,100,000 stock options with a fair value of \$404,237 to certain directors, officers, consultants, and advisors, exercisable at a price of \$0.15 per common share for a period of 5 years and vesting immediately.

HIGHLIGHTS DURING THE YEAR ENDED DECEMBER 31, 2018

Financing and Corporate

On January 2, 2018, 100,000 warrants were exercised at a price of \$0.08 per share for gross proceeds of \$8,000. Accordingly, the related warrants reserve of \$3,000 was reallocated to capital stock.

On March 12, 2018, the Company issued 5,000,000 common shares with a fair value of \$275,000 and 2,500,000 common share purchase warrants at a price of \$0.12 for the acquisition of Nortec Mineral Oy. In connection with the acquisition, the Company issued 250,000 common shares with a fair value of \$11,250 as a finder’s fee.

During the year ended December 31, 2018, the Company completed a non-brokered private placement of 6,820,000 units at a price of \$0.05 per unit for gross proceeds \$341,000. Each unit consists of one common share and one-half common share purchase warrant. Each whole common share purchase warrant is exercisable into one common share for a period of two years from closing at a price of \$0.10 per share. A total of \$35,000 was received during the year ended December 31, 2017 and was included in subscription received in advance. The company incurred a total of \$3,105 in share issuance costs related to the private placement.

Operations

Palladium One’s net loss from operations for the year ended December 31, 2019 was \$1,570,943 or \$0.04 per common share (2018 – net loss \$868,908 or \$0.04 per common share). Assets totaled \$3,904,383 as at December 31, 2019 (December 31, 2018 - \$46,735).

Palladium One is an exploration stage company and engages principally in the exploration of resource properties. The Company expenses all direct and indirect costs pertaining to exploration and evaluation of mineral properties in the period in which they

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are incurred. These direct exploration and evaluation expenditures include such costs as acquisition costs, materials used, surveying costs, drilling costs and payments made to contractors. Costs not directly attributable to exploration and evaluation activities are expensed in the period in which they occur under another classification. As at December 31, 2019, \$312,677 was expensed under exploration and evaluation expenditures (2018 - \$529,475). Details of the expense break-down are contained in the following section of Exploration and Evaluation Expenditures in the MD&A.

EXPLORATION UPDATE

Tyko Ni-Cu-PGE Property (“Tyko Project”), Canada

The Tyko Property is a nickel (Ni), copper (Cu), platinum-group element (PGE) project, and as of September 30, 2019 comprised 161 single cell mining claims, registered to Tyko Resources Inc. and covering approximately 2,620 hectares. The mining cell claims are located in the Bigrock Lake and Olga Lake areas, and the townships of McGill and Shabotik, Thunder Bay Mining Division, Ontario, Canada (NTS 42C/13NW and 14NE).

There are three significant Ni-Cu-PGE showings or zones on the Tyko Project; the RJ and Tyko, and Shabotik zones. The Tyko and RJ zones are separated by 2 km and are thought to be part of a conduit structure that has strong potential to host additional Ni-Cu-PGE mineralization.

On March 8, 2016, the Company announced it would commence a diamond drilling program at the Tyko Project in order to confirm the orientation of known mineralization in the conduit structure, extend the continuity of mineralization at the RJ and Tyko showings, and test additional targets, including the Bruce Lake Anomaly, an AeroTEM airborne geophysics anomaly. The diamond drilling program consisted of 14 drill holes, totalling 1,780 metres with five holes at the RJ zone (TK-16-001 to 005), six holes at the Tyko zone (TK-16-006 to 011), and three holes on the Bruce Lake Anomaly (TK-012 to 014). Final assay results from the diamond drilling program were reported on June 8, 2016.

The RJ Zone consists primarily of metamorphosed mineralized pyroxenite which has been intruded by later granitoid rocks. The mineralized pyroxenite contains abundant rip-up clasts of other mafic-ultramafic phases and clastic sediments indicative of an active feeder-type system. The mineralization is nickel-rich with an average Ni:Cu ratio of ~2:1 and a Pt:Pd ratio of ~1:1. Sulphides are typically disseminated to blebby with local patches of net-textured and semi-massive sulphide breccia.

The overall sulphide tenors of the Ni-Cu-PGE mineralization at the Tyko Property are very high. Total sulphur analysis completed by the Company indicated tenors in 100% sulphide that average 8.6% Ni, 4.6% Cu, and 3.3g/t PGE at the RJ Zone and 16.3% Ni, 8.70% Cu, and 12.8g/t PGE at the Tyko Zone. The high tenor of the sulphide suggests a high value flotation concentrate could be generated from the RJ or Tyko Zone style mineralization. This indicates that even a disseminated sulphide deposit could potentially be economic and further supports the view that Palladium One’s 100% owned Tyko Project contains a fertile magmatic feeder system. The Company’s objective is to delineate this feeder system and ultimately develop mineral resources.

On August 19, 2019, the Company announced it had acquired, through staking, 12 new claims totalling 254 hectares covering the historic Shabotik Zone, located 4.5km south of the Tyko project, near Marathon, Ontario.

On October 21, 2019, the Company announced that it had submitted a sample collected from its Tyko Ni-Cu-PGE project to Activation Laboratories for metallurgical testing. This testing represents the first metallurgical work done on the project and assessed the floatation characteristics of mineralization. The metallurgical sample was collected from hole TK-16-002 from the RJ zone which was drilled by the Company in 2016. The sample consists of ~20kg of drill core and represents a 50/50 mixture of primary pyroxenite and remobilized granite hosted sulphide mineralization.

As at December 31, 2019, the Company has spent a total of \$1,309,379 on the property since it was acquired by Tyko in 2010.

On January 21, 2020, the Company reported prospecting samples with assay results of up to 0.74% Ni, 4.09% Cu and 2.51g/t PGE (1.21 g/t Pt, 1.19 g/t Pd, and 0.11 g/t Au) from the Tyko Showing.

On January 27, 2019, the Company reported that the Fall 2019 program had returned up to 238 ppm nickel and 108 ppm copper in soils (representing >20 times background) down ice of the untested Smoke Lake airborne electro-magnetic (EM) anomaly.

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A ground-based VLF survey conducted by the Company in 2016 traced this EM anomaly over a 300m strike length. Smoke Lake anomaly has become a high priority drill target for the Company.

Disraeli Lake, PGE-Ni-Cu Property (“Disraeli Project”), Canada.

On February 6, 2020, the Company completed the purchase of the Disraeli Property, located near Thunder Bay, Ontario. The Company acquired a 100% interest in the property by making a cash payment of \$5,000 to Ursa Major Minerals Inc and incurring \$56,000 in exploration expenditures, which was fulfilled by the end March 2020. The 155 claim unit, ~2,500 hectare project covers a the Disraeli mafic-ultramafic intrusion located in the prolific Nipigon Plate of the Proterozoic mid-continent rift. The Disraeli intrusion lies along the West Nipigon lineament that also hosts the Thunder Bay North PGE-Ni-Cu deposit, held by Clean Air Metals Inc.

In Late February and early March 2020, the Company conducted detailed drone airborne magnetic and lake sediment surveys on the project.

Lantinen Koillismaa PGE-Cu-Ni Project (“LK Project”), Finland

The LK Project is located in North-Central Finland approximately 60 km north of the village of Taivalkoski. The Property is situated about 130 km southeast of the town of Rovaniemi and 160 km northeast of the port city of Oulu and is accessed by major paved roads and local access on gravel or dirt roads.

The Project comprises 6 registered and pending exploration permit renewal applications, 1 exploration permit application, 3 exploration permits, and 2 reservations, totalling approximately 3,564 hectares, including over 38 kilometers of the prospective basal contact of the Koillismaa layered mafic-ultramafic Complex. These permits cover the historic Kaukua and Haukiahö deposits and the Salmivaara and Mortolampi priority targets. None of the LK property holdings are located on environmentally protected lands known as Natura 2000.

Claim costs range between €20-50 per ha per annum. The longer a claim is in place, the higher the annual fee. An exploration permit may only be held for a period of 15 years before being converted to a mining permit. Converting exploration permits to mining permits requires the project to reach an advanced stage such as pre-feasibility/feasibility studies. Assuming the Company’s 7 exploration permit applications are accepted they will have a total of 10 years remaining, whereas the 2 exploration permits undergoing renewal will have 7 years remaining.

The elements palladium, platinum, gold, copper, cobalt, and nickel are known to be present and have been analysed in drilling and surface sampling in the Property. The deposit type is a basal accumulation including PGE-Cu-Ni in the Koillismaa Layered Mafic Intrusion. This intrusion forms part of the 2.5-2.4 Ga Tornio-Näränkäväära Layered Intrusion Belt that runs roughly east - west across Finland and into neighbouring Russia. The Koillismaa Complex is part of a suite of Paleoproterozoic continental rift-related intrusions which are highly prospective for PGE-Cu-Ni deposits.

On January 31, 2017, the Company signed a Definitive Agreement with Micron Waste Technologies Inc. (“Micron”) (formerly Finore Mining Inc.) for the purchase of 100% interest in the Lantinen Koillismaa PGE-Cu-Ni project (“LK Project”) located in North-Central Finland. In 2018, the Company completed the acquisition pursuant to the Definitive Agreement (please refer to “Acquisition of Nortec Mineral Oy” for additional details).

On June 10, 2019, the Company retained Mining Plus UK Ltd to prepare an independent National Instrument 43-101 compliant mineral resource estimate for the Kaukua deposit of the LK project. As part of the mineral resource estimation, a data verification program was undertaken wherein over 100, quarter-split core samples were collected from historical diamond drill core and have been sent to ALS Global in Finland for re-assaying and ultimately reconciliation with the existing drill hole assay database.

On August 12, 2019, the Company reported Reconnaissance Prospecting that returned up to 3.106 g/t PGE, 0.78% Cu, and 0.13% Ni at the LK Project.

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On September 5, 2019, the Company announced it had made an application to expand the LK palladium-nickel-copper project by nearly 50%, by applying for 2 reservations covering an additional 13 km of Prospective Basal Contact at the LK PGE-Ni-Cu Project in Finland.

On September 9, 2019, the Company issued a resource statement for the Kaukua deposit, highlighting the following: An optimized pit-constrained Mineral Resource, at a 0.3 g/t Pd ("grams per tonne" "palladium") cut-off, for the Kaukua Deposit includes: 635,600 Pd_Eq ounces of Indicated Resources grading 1.80 g/t Pd_Eq ("palladium equivalent") contained in 11 million tonnes, and 525,800 Pd_Eq ounces of Inferred Resources grading 1.50 g/t Pd_Eq contained in 11 million tonnes.

On December 17, 2019, the Company announced that the LK Project had seven of eight exploration permit renewal applications approved by the Finnish Mining Authority, with the approvals entering an appeals process. The Company also announced plans to conduct a 75 line-kilometer Induced Polarization (IP) geophysical program along with a diamond drilling program of up to 5,000 meters at the LK Project.

On January 14, 2020, the Company announced that it had retained SJ Geophysics Ltd. to conduct an induced polarization survey. Five separate grids will be surveyed totaling 75 line-kilometers; cumulatively representing ~12km of strike length of the highly prospective basal unit of the Koillismaa mafic-ultramafic complex, which hosts the Kaukua deposit.

On January 16, 2020, the Company bought back an existing 2% Net Smelter Return ("NSR") royalty in respect of the historic Haukiaho deposit. The terms of the royalty buyback include a cash payment of C\$50,000 and issuance of 375,000 common shares.

On February 13, 2020, the Company reported that the Finnish Mining Authority had approved all eight exploration permit renewals and one new exploration permit application, with two key exploration permits clearing the appeals process. Seven remained in the appeals process, however the Company applied for an Enforcement Decision, which will allow it to conduct exploration during the appeals process. Exploration permits covering the Kaukua deposit, and the historic Haukiaho deposit, where the bulk of the drill program is planned, were uncontested.

On February 18, 2020, the Company retained a local diamond drilling contractor to conduct a drill program, with crews scheduled to mobilize on February 24th.

On February 25, 2020, the Company reported initial results from the first Induced Polarization (IP) survey with the discovery of a large chargeability anomaly, representing the eastern extension of the palladium dominant Kaukua South Zone. The Kaukua South Zone anomaly was extended over a two (2) kilometre strike length.

On March 10, 2020, the Company reported that the second 2020 Induced Polarization (IP) survey grid, located at Murtolampi, two kilometres northeast of the Kaukua deposit, had successfully outlined a significant untested chargeability anomaly. The core of the Murtolampi chargeability anomaly extends over more than 750m of strike length, with a width ranging from 100 to 300m and extends down to the maximum depth of the 300m IP survey.

On March 24, 2020, the Company announced that due to the COVID-19 pandemic, the Company was suspending the current exploration program at the palladium dominant, Läntinen Koillismaa ("LK") PGE-nickel-copper project located in Finland.

On April 2, 2020, the Company reported that it has applied for two additional reservations Kaukuanjarvi (9,100 ha) and Haukiaho North (2,140 ha).

The Company also reported that the Salmivaara 2-11 exploration permit had gained legal force. The Company had three permits that have cleared the appeals process, and enforcement decisions have been granted on another five permits thereby enabling exploration to be conducted on eight permits. The Company's Finnish holding now include nine permits (3,845 hectares), three reservations (20,991 hectares), and two reservation applications (11,235 hectares), for a total of 32,226 hectares

On April 14, 2020, the Company report that the Kaukua South Zone anomaly extends over more than a four (4) km strike length and into a large overburdened area that has never been drill tested. Final results from the first Induced Polarization (IP) survey grid, Kaukua East and the Infill grid have outlined this large chargeability anomaly, representing the eastern extension

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of the palladium dominant Kaukua South Zone. This suggests the greater Kaukua area could have a much larger resource endowment than previously understood.

Kostonjarvi, Cu-Ni-PGE Project (“KS Project”), Finland

On April 2, 2020, the Company reported that it had received approval from the Finnish Mining Authority for a ~20,000-hectare Reservation, Kostonjarvi (KS), which is adjacent to the Company's Flagship Läntinen Koillismaa (LK) Project in Central Finland.

The KS reservation covers a large buried gravity and magnetic anomaly that is interpreted to represent a buried Feeder Dyke to the Koillismaa Complex which hosts the palladium dominant, LK PGE-nickel-copper project. While the LK and KS projects are contiguous, the targets are very different: The LK project is an open pit style, with disseminated sulphide mineralization along the prospective basal unit of the Koillismaa complex, with similarities to Platreef type deposits. Whereas the KS project target is underground, high-grade massive sulphide, in the feeder system (Feeder Dyke) of the Koillismaa Complex, similar to a Norlisk, or Voisey's Bay type deposit (Figure 2).

KS is 100% owned, royalty free, of district-scale, and has been the subject of extensive academic research. Holding costs for KS are zero until the reservation is converted into an exploration permit.

Acquisition of Nortec Mineral Oy

On February 28, 2018, the Company completed the acquisition pursuant to the Definitive Agreement. The Company paid Micron 5,000,000 common shares of Nickel One with a fair value of \$275,000 and 2,500,000 common share purchase warrants, exercisable at \$0.12 for 24 months. The share purchase warrants have a fair value of \$65,769 which has determined using a Black Scholes valuation model with the following assumptions:

| | 2018 |
|---------------------------------|---------|
| Forfeiture rate | 0.00% |
| Estimated risk-free rate | 1.78% |
| Expected volatility | 139% |
| Estimated annual dividend yield | 0.00% |
| Expected life of options | 2 years |

In connection with the acquisition, the Company issued 250,000 common shares with a fair value of \$11,250 as a finder's fee.

The following table summarizes the allocation of the purchase price and related acquisition costs to the fair value of the assets acquired and liabilities assumed of Nortec at the date of acquisition:

| | | |
|---|-----------|----------------|
| Purchase price (5,000,000 common shares) | \$ | 275,000 |
| Fair value of warrants (2,500,000 common share purchase warrants) | | 65,769 |
| Transaction costs (250,000 common shares) | | 11,250 |
| Total cost of acquisition | \$ | 352,019 |
| Cash and cash equivalents | \$ | 4,932 |
| Prepaid expensed and deposits | | 14,438 |
| Sales tax receivable | | 6,449 |
| Equipment | | 892 |
| Accounts payable and accrued liabilities | | (201,208) |
| Mineral property | | 526,516 |
| Net identifiable assets acquired | \$ | 352,019 |

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The value attributed to the acquisition of the mineral property is included exploration and evaluation in profit and loss in line with the Company’s policy mineral exploration and evaluation expenditures.

Finnish Mining Act

Mining Act of Finland defines ‘Exploration Permit’ and ‘Mining Permit’. Prior to acquiring an Exploration Permit a company may apply for a ‘Reservation notification’ and can be granted the Reservation Decision. The Finnish Safety and Chemicals Agency TUKES acts as Finland’s mining authority, TUKES, processes and grants Permits (“Reservations, Exploration Permits and Mining Licences”) as defined in the Mining Act.

An appeal against each Permit granted by the mining authority can be submitted to the Administrative Court within 30 days from the decision. The Supreme Administrative Court is the next and final court to judge the case, if no settlement is reached earlier.

A Reservation Decision gives a priority right to the recipient to apply for an Exploration Permit. The maximum length of a Reservation Decision is two years, during which time it is expected that the recipient would apply for an Exploration Permit.

An Exploration Permit gives the recipient full rights to conduct exploration activities including test mining and construction of temporary roads and buildings, provided however that such activities are specified in the underlying Exploration Permit.

The fees for Exploration Permits include annual payments (malminetsintäkorvaus) to the landowners and reclamation collateral to the State, the amount of which will be decided by the mining authority. The landowner compensation is EUR 20/hectare/year for the first four years and is raised to EUR 30/ha/year for years 5-7, EUR 40/ha/year for the years 8-10, and to EUR 50/ha/year from year 11 onward.

The maximum length of an Exploration Permit is 15 years, but extensions can be applied for and received, if the mining authority, TUKES, so assess.

Application for **the Mining Permit** is accompanied by environmental and number of other permit applications. A mine can be opened when the company has received Mining Permit, Environmental Permit and other case dependent permits. Mining permits are granted until further notice, the government retains the right to review mining permits every 10 years.

Neil Pettigrew, P. Geo. a director of the Company and is the Qualified Person as defined by National Instrument 43-101 and has reviewed and approved the technical information in this document.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Year ended December 31, 2019 and 2018

During the year ended December 31, 2019, the Company reported a net loss before comprehensive loss of \$1,570,943 (2018 - \$868,908), an increase of \$702,035. The primary contributors were:

- Increases in consulting fees in the amount of \$80,866, professional fees of \$87,242 and investor relations/rebranding costs of \$259,113 mainly due to increased corporate activities such as name change, share consolidation and financings during the year ended December 31, 2019.
- Increase in stock option issuances in the amount of \$546,023 due to the granting of stock options to certain directors, officers, consultants and advisors. Options were granted for a period of two years, with 3,525,000 granted with an exercise price of \$0.08 per common share, and 5,100,000 granted with an exercise price of \$0.15. There were no stock options granted during the prior year.

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The loss was partially offset by the following:

- A recognized gain of \$108,568 in debt settlements with certain dissident shareholders and arm’s length consultants and service providers, in comparison with a gain of \$10,000 on forgiveness of debt settlement during the prior year.

Three months ended December 31, 2019 and 2018

During the three months ended December 31, 2019, the Company reported a net loss before comprehensive loss of \$849,867(2018 - \$583,501) an increase of \$266,366. The primary contributors were:

- Increases in consulting fees in the amount of \$71,654, investor relations/rebranding costs of \$173,548 mainly due to increased corporate activities such as name change, share consolidation and financings during the three months ended December 31, 2019.
- Increase in stock option issuances expenses in the amount of \$370,336 due to the granting 5,100,000 stock options to certain directors, officers, consultants and advisors, exercisable at a price of \$0.15 per common share for a period of two years. There were no stock options granted during the same period in the prior year.

Exploration and evaluation expenditures

The Company expenses all exploration costs as incurred. During the year ended December 31, 2019, the Company expensed \$312,677 (2018 - \$529,475) in exploration and evaluation expenditures.

The Company performed the following work on their properties during the period:

| | December 31, 2019 | December 31, 2018 |
|-----------------------------|----------------------|----------------------|
| Tyko Project: | | |
| Assays and surveying | \$ 2,542 | \$ - |
| Claims | 24,394 | 1,122 |
| Field costs | 6,340 | - |
| Geological consulting | 51,000 | - |
| Report | 5,500 | - |
| Mobilization/Demobilization | 2,000 | - |
| Travel and support | 4,163 | - |
| Equipment Rental | 3,300 | - |
| | 99,239 | 1,122 |
| LK Project: | | |
| Acquisition cost of LK | - | 526,516 |
| Assays and surveying | 5,959 | - |
| Claims | 22,088 | 1,837 |
| Geological consulting | 167,384 | - |
| Meals | 684 | - |
| Travel and support | 17,323 | - |
| | 213,437 | 528,353 |
| | \$ 312,678 | \$ 529,475 |

Other income and expenses

During the year ended December 31, 2019, the Company had other income of \$111,510. This was due to the gain on debt settlement in the amount of \$108,568 and \$17,102 amortization of flow-through premium liability, offset by a loss on write off of interest of \$14,160.

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During the year ended December 31, 2018, the Company had other income of \$11,737. This was due to the interest income accrued in the amount of \$1,737 and the gain on debt settlement in the amount of \$10,000.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table summarizes selected financial data reported by the Company for the years ended December 31, 2019, 2018, and 2017. The information set forth should be read in conjunction with the consolidated audited financial statements, prepared in accordance with International Financial Reporting Standards (“IFRS”), and the related notes thereon.

| | 2019 | | 2018 | | 2017 | |
|---------------------------|------|-------------|------|-------------|------|-------------|
| Current assets | \$ | 3,904,383 | \$ | 46,067 | \$ | 146,529 |
| Total assets | | 3,904,383 | | 46,735 | | 146,529 |
| Current liabilities | | 226,753 | | 508,593 | | 402,393 |
| Capital stock | | 10,831,682 | | 5,722,739 | | 5,087,594 |
| Reserves | | 1,308,542 | | 707,054 | | 644,685 |
| Net income (loss) | | (1,570,943) | | (868,908) | | (625,245) |
| Deficit | | (8,462,594) | | (6,891,651) | | (6,022,743) |
| Earnings (loss) per share | \$ | (0.04) | \$ | (0.04) | \$ | (0.04) |
| Weighted average shares | | 42,700,781 | | 24,699,674 | | 18,283,239 |

SUMMARY OF QUARTERLY RESULTS

The following summary information is taken from the Company’s quarterly and annual financial reports covering the last eight reporting quarters.

| | Dec 31, 2019 | Sep 30, 2019 | Jun 30, 2019 | Mar 31, 2019 | Dec 31, 2018 | Sep 30, 2018 | Jun 30, 2018 | Mar 31, 2018 |
|---|----------------------------|-----------------|--------------------------|-----------------|----------------------------|-----------------|-----------------|-----------------|
| Operating expenses | ⁽¹⁾ \$(873,030) | \$(311,707) | \$(379,182) | \$(118,534) | ⁽²⁾ \$(583,955) | \$(28,376) | \$(64,829) | \$(203,485) |
| Other income or (expense) | \$9,003 | \$14 | \$(6,028) | \$108,521 | \$454 | \$443 | \$427 | \$10,413 |
| Net loss | \$(864,027) | \$(311,693) | \$(385,210) | \$(10,013) | \$(583,501) | \$(27,933) | \$(64,402) | \$(193,072) |
| Basic and diluted earnings (loss) per share | \$(0.01) | \$(0.01) | \$(0.01) | \$0.00 | \$(0.01) | \$(0.00) | \$(0.00) | \$(0.00) |
| Total assets | \$3,904,383 | \$591,285 | \$809,281 | \$91,674 | \$46,735 | \$51,209 | \$58,102 | \$78,547 |
| Shareholders’ (deficiency) | \$3,677,630 | \$442,222 | ⁽¹⁾ \$717,999 | \$(373,371) | \$(461,881) | \$(405,343) | \$(350,138) | \$(289,201) |
| Capital stock | \$10,831,682 | \$7,158,048 | \$7,158,048 | \$5,722,739 | \$5,722,739 | \$5,722,239 | \$5,727,239 | \$5,436,579 |
| Subscriptions received | - | - | - | \$98,500 | - | - | - | - |
| Reserves | \$1,308,542 | \$882,741 | \$846,825 | \$707,054 | \$707,054 | \$707,054 | \$707,054 | \$636,785 |
| Deficit | \$8,462,594 | \$7,598,567 | \$7,286,874 | \$6,901,664 | \$6,891,651 | \$6,308,621 | \$6,280,217 | \$6,215,815 |

⁽¹⁾ Operating expenses significantly increased during the quarter ended December 31, 2019, due to the Company incurring \$370,336 in stock option issuances, \$173,728 in investor relation expenses, \$139,088 in exploration and evaluation expenses and \$107,654 in consulting fees during the period.

⁽²⁾ Operating expenses significantly increased during the quarter ended December 31, 2018, due to the Company incurring \$526,507 in exploration and evaluation expenditures with respect to the acquisition costs of the LK project.

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LIQUIDITY AND CAPITAL RESOURCES

Years ended December 31, 2019 and 2018

As at December 31, 2019, the Company reported working capital surplus of \$3,677,630 (2018 – working capital deficit of \$462,526). The increase in working capital was primarily the result of the gain on debt settlement and cash received from private placements.

Cash used in operating activities during the year ended December 31, 2019 was \$1,313,328 (2018 - \$334,853). The main cause of this change was payments to vendors in connection with exploration expenditures and general administrative expenses.

Cash generated by investing activities for the year ended December 31, 2019 was \$4,175 (2018 – \$4,932). The Company was repaid the principal of an outstanding loan of \$4,175 during the year ended December 31, 2019, as opposed to \$4,932 received on the acquisition of mineral property in the same period during the prior year.

Cash proceeds generated from financing activities for the year ended December 31, 2019 was \$5,088,307 (2018 - \$293,895). The Company raised \$5,189,140 through private placements and paid \$113,241 in finder’s fees, filing fees, and legal fees of in connection with the private placements.

Shareholders’ equity

On May 3, 2019, the Company consolidated its share capital on a ratio of one (1) new post-consolidated common share for every two (2) old pre-consolidated common shares. The following shares and per share references have been retroactively restated accordingly unless noted otherwise.

On May 9, 2019, the Company issued 16,912,000 units for proceeds of \$1,333,551 net of share issuance costs. Each unit consists of one common share and one common share purchase warrant, exercisable at \$0.12 for two years.

On May 13, 2019, the Company issued 925,072 common shares at a value of \$0.12 per share to settle \$95,557 in accounts payable which resulted in loss on settlement of debt of \$15,452.

On October 18, 2019, the Company issued 500,000 flow-through units for proceeds of \$50,000, with no share issuance costs. Each unit consists of one flow-through common share and one common share purchase warrant, exercisable for two years at \$0.12. A flow-through premium liability of \$22,500 was recognized in respect of these flow-through shares.

On December 2, the Company issued 63,102,999 units for proceeds of \$3,692,343 net of share issuance costs. Each unit comprised one common share and one-half of one non-transferable common share purchase warrant, exercisable at \$0.10 for the first year then \$0.20 for a further year, and one-quarter of one non-transferable Common Share purchase warrant, exercisable for \$0.15 for one year. The company issued 2,487,000 shares valued at nil in connection with the private placement.

At December 31, 2019, capital stock was \$10,831,682 and comprised of 109,792,349 issued and outstanding common shares (December 31, 2018 - \$5,722,739 comprised of 25,865,278 shares outstanding). Reserves which arise from the recognition of the estimated fair value of stock options and warrants was \$1,308,542 (December 31, 2018 - \$707,054). As a result of the net loss for the year ended December 31, 2019 of \$1,570,943 (December 31, 2018 –\$868,908), the deficit at December 31, 2019 increased to \$8,462,594 from \$6,891,651 at December 31, 2018. Accordingly, shareholders’ equity was \$3,677,630 as compared to shareholders’ deficit of \$461,858 at December 31, 2018.

Loan receivable

At December 31, 2018, The Company had a loan receivable \$18,335 which was comprised of a principal balance of \$4,175 and accrued interest of \$14,160.

During the year ended December 31, 2019, the Company received the principal balance of \$4,175 and agreed to forgo the accrued interest of \$14,160 on the loan receivable.

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Other

At present, the Company’s operations do not generate cash inflows and its financial success is dependent on management’s ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Company’s control. See “Risks and Uncertainties”.

In order to finance the Company’s future exploration programs and to cover administrative and overhead expenses, the Company may raise money through the sale of equity instruments. Many factors influence the Company’s ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, the Company’s track record, and the experience and calibre of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activities. Management believes it will be able to raise equity capital as required in the long term but recognizes there will be risks involved that may be beyond their control.

COMMITMENTS

As of December 31, 2019, the Company had no material lease obligations or significant contractual obligations other than those associated with its loans payable.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have off balance sheet arrangements.

FINANCIAL INSTRUMENTS

As at December 31, 2019, the Company’s financial instruments consist of cash, sales tax receivable, loan receivable, accounts payable and accrued liabilities, loans payable and loans payable to related parties. The carrying values of these financial instruments approximate their fair values because of their short-term nature and/or the existence of market related interest rates on the instruments. The Company’s investments, under the fair value hierarchy, are based on level one input.

The following table summarizes the carrying values of the Company's financial instruments:

| | December 31, 2019 | December 31, 2018 |
|-------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Cash | 3,780,176 | 1,022 |
| Loans and accounts receivable | 49,582 | 20,642 |
| Accounts payable | 221,355 | 505,093 |

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and
- Level 3 – Inputs that are not based on observable market data

The following table sets for the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy:

| | Level 1 | Level 2 | Level 3 | Total |
|---------------------------|--------------|---------|---------|--------------|
| Cash and cash equivalents | \$ 3,780,176 | \$ - | \$ - | \$ 3,780,176 |

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Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Company to credit risk consist of cash and receivables. The Company's cash is held through a large Canadian financial institution. At December 31, 2019 the Company's receivables consist of sales tax receivable due from the Government of Canada and Finland of \$49,582 (2018 - 2,307), and a loan receivable of \$Nil (2018 - \$18,335).

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure, as outlined in Note 11 of these financial statements. As at December 31, 2019, the Company had a cash balance of \$3,780,176 (2018 - \$1,022) to settle current liabilities of \$226,753 (2018 - \$508,593). However, the Company has an accumulated deficit of \$8,462,594 (December 31, 2018 - \$6,891,651). The continuation of the Company depends upon the support of its lenders, and equity investors, which cannot be assured.

Other Market Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on profit or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, silver and copper, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Currency risk

The Company has transactions internationally and is exposed to foreign exchange risk from the Euro. Foreign exchange risk arises from financing and purchase transactions that are denominated in currency other than the Canadian Dollar, which is the functional currency of the Company. As at December 31, 2019, the Company held the Canadian dollar equivalent of \$4,329 (December 31, 2018 - \$73) in Euros, and the equivalent of \$74,133 in liabilities (December 31, 2018 - \$67,439). A 10% increase or decrease in the Euro would increase or decrease comprehensive income by \$6,900 (December 31, 2018 - \$6,700).

Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to interest rate risk with respect to its cash flow. As at December 31, 2019, the Company is not exposed to significant interest rate risk.

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RELATED PARTY TRANSACTIONS

Key management compensation

Key management consists of the Company’s directors and officers. In addition to management and consulting fees paid to these individuals, or companies controlled by these individuals, the Company provides stock options. Remuneration of key management includes the following:

| | Year ended December 31, 2019 | Year ended December 31, 2018 |
|--------------------------------|---------------------------------|---------------------------------|
| Consulting and management fees | \$ 254,000 | \$ 160,000 |
| Exploration and evaluation | 87,973 | Nil |
| Rent | 3,000 | Nil |
| Stock option issuances | 409,820 | Nil |
| Total remuneration | \$ 754,793 | \$ 160,000 |

Related party transactions and balances are as follows:

The balance payable to related parties as at December 31, 2019 was \$29,963 (December 31, 2018 - \$196,074) and is included in accounts payable and accrued liabilities. These payables are unsecured, non-interest bearing and are expected to be repaid under normal trade terms.

The Company received \$4,175 (2018 - \$nil) in connection with a related party loan receivable and wrote off \$14,160 (2019 - \$nil) in interest related to the same loan which resulted in a loss on write off of interest.

The Company settled debt with various officers and directors during the year resulting in a gain on settlement of debt of \$124,020 (2018 - \$10,000). This amount has been netted against other vendors’ gains or losses on the settlement of debt.

Loans payable to related parties as at December 31, 2019 \$nil (2018 - \$1,500).

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company’s accounting policies are described in Note 3 to the consolidated financial statements for the year ended December 31, 2019. The preparation of financial statements in accordance with IFRS requires management to select accounting policies and make estimates. Such estimates may have a significant impact on the financial statements. Actual amounts could differ materially from the estimates used and, accordingly, affect the results of the operations. Areas where estimates were used for the year ended December 31, 2019 include the valuation of acquisition of mineral property transactions, valuation of share based payments and income taxes.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED DURING THE YEAR

As at the date of these financial statements, the following standards have been applied in these financial statements:

- (i) IFRS 16 – New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.
- (ii) IFRIC 23 - New standard sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. IFRIC 23 requires an entity to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019.

The adoption of the above standards did not have an impact on the consolidated financial statements of the Company.

RECENT DEVELOPMENTS AND OUTLOOK

The Company expects to obtain financing in the future primarily through further equity financing. There can be no assurance that the Company will succeed in obtaining additional financing, now or in the future. Failure to raise additional financing on a timely basis could cause the Company to suspend its operation and eventually to forfeit or sell its interest in its exploration and evaluation assets.

RISK FACTORS

An investment in the securities of the Company is subject to various risks and uncertainties, including those set out below, under the headings “Cautionary Note Regarding Forward Looking Statements and Forward Looking Information”. Such risks and uncertainties should be carefully considered by an investor before making any investment decision. Additional risks and uncertainties not presently known to the Company or that the Company currently deems immaterial may also impair the Company’s business operations. If any of the possibilities described in such risks actually occurs, the Company’s business, financial condition and operating results could be materially adversely harmed.

Palladium One depends on two mineral projects (“Projects”)

The LK Project accounts for much of Palladium One’s current potential for the future generation of revenue. Any adverse development affecting the LK Project will have a material adverse effect on Palladium One’s business, prospects, profitability, financial performance and results of operations. These developments include, but are not limited to, the inability to obtain financing to define mineral resources and reserves, develop the Projects, changes in technical parameters of project development, changes in costs or anticipated costs which may make it uneconomic to develop and/or operate the Projects, unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, property, and which could hinder the development and operation of its projects.

Palladium One’s exploration properties may not be successful, are highly speculative in nature, and may not result in the development of a producing mine.

Exploration for PGE, nickel, copper and other metals is highly speculative in nature. Palladium One’s exploration activities in Finland, Canada and elsewhere involve many risks, and success in exploration is dependent upon a number of factors including, but not limited to, quality of management, quality and availability of geological expertise and the availability of exploration capital. Palladium One cannot give any assurance that its current or future exploration efforts will result in the discovery of a mineral reserve or new or additional mineral resources, the expansion of current resources or the conversion of mineral resources to mineral reserves or the discovery of new producing mines or ore bodies for the commercial extraction of minerals.

In addition, mineral deposits, even though discovered, may be insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by Palladium One may be affected by additional factors which are beyond the control of Palladium One and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment and other factors, which may make a mineral deposit unprofitable to exploit.

Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities and grades to justify commercial operations or that the funds required for development can be obtained on a timely basis. Palladium One’s mineral properties are in the exploration stage only and are without known bodies of mineral reserves. Development of any other of Palladium One’s mineral properties will only follow upon obtaining satisfactory exploration results and the completion of feasibility or other economic studies. Whether such a producing mine is eventually economically feasible will depend upon numerous factors, most of which are beyond the control of Palladium One, including: the availability and cost of required development capital, movement in the price of commodities, securing and maintaining title to mining tenements as well as obtaining all necessary consents, permits and approvals for the development of the mine. Should a producing mine be developed, for which Palladium One can provide no assurance, other factors will ultimately impact whether mineral extraction and processing can be conducted economically,

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including actual mineralization, consistency and reliability of ore grades and future commodity prices, as well as the effective design, construction and operation of processing facilities.

Commodity price volatility may adversely affect Palladium One.

Commodity prices historically have fluctuated widely and are affected by numerous external factors beyond Palladium One’s control. There are numerous factors, all of which are outside of Palladium One’s control, that may affect the price of PGEs, nickel, copper and other metals, including industrial and retail demand, central bank lending, sales and purchases of these metals, forward sales by producers and speculators, levels of global production, short-term changes in supply and demand because of speculative hedging activities, confidence in the global monetary system, expectations of the future rate of inflation, the strength of the United States dollar (the currency in which the price of most metals is generally quoted), interest rates, terrorism and war, and other global or regional political or economic events.

A decline in the market price of metals may, in the future, require Palladium One to write-down any mineral resources or may result in Palladium One choosing to cease or limit exploration or development activities at any mineral property. Should any significant write-down in reserves or current or future resources be required, material write-downs of Palladium One’s investment in the affected mining properties and increased amortization charges may be required.

A mineral resource estimate is only an estimate and may not reflect the actual deposits or the economic viability of extraction.

Figures presented for mineral resources are only estimates. The estimating of mineral resources is a subjective process and the accuracy of mineral resource estimates is a function of the quantity and quality of available data, the accuracy of statistical computations, and the assumptions used, and judgments made in interpreting engineering and geological information. There is significant uncertainty in any mineral resource estimate, and the actual deposits encountered and the economic viability of mining a deposit may differ materially from Palladium One’s estimates. Estimated mineral resources may have to be re-estimated based on changes in mineral or metal prices, further exploration or development activity or actual production experience. This could materially and adversely affect estimates of the volume or grade of mineralization, estimated recovery rates or other important factors that influence mineral resource estimates.

Palladium One will require additional capital in the future and no assurance can be given that such capital will be available at all or available on terms acceptable to Palladium One.

Palladium One makes, and will continue to make, substantial expenditures related to exploration, future development and production. Historically, Palladium One has financed these expenditures primarily by offerings of its equity securities, as Palladium One has no source of operating income. Palladium One will have further capital requirements and exploration expenditures as it proceeds to expand exploration activities at any of its properties, develop any such properties, or takes advantage of opportunities for acquisitions, joint ventures or other business opportunities that may be presented to it. Palladium One may incur major unanticipated liabilities or expenses. In particular, any development of the Projects into operating mines will require substantial capital commitments which the Company cannot currently quantify and does not currently have in place. The Company can provide no assurance that it will be able to obtain financing on favorable terms or at all. Where Palladium One issues shares in the future, such issuance will result in the then existing shareholders of Palladium One sustaining dilution to their relative proportion of the equity in Palladium One.

Market events and conditions may adversely affect Palladium One’s business and industry.

Sovereign debt increases have become a perceived problem globally, while trade disputes are also a growing concern. Additionally, there has been a growing concern about rising government deficits and debt levels across the globe. Those concerns have created and may continue to create alarm in the credit and financial markets which could, among other things, make it more difficult for the Company to obtain, or increase its cost of obtaining, capital and financing for its operations on terms acceptable to the Company or at all.

Many industries, including the mining industry, were and continue to be impacted by the global economy and thus market conditions. Some of the key impacts of financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious/base metal markets, and a lack of market liquidity. There can be no assurance that the global economy will continue to improve or another financial or economic crisis (e.g. recession) will not occur in the future. The global economic outlook remains relatively uncertain. A slowdown or crisis in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Company’s growth and profitability, and the trading price of the common shares of the Company could be adversely affected.

Palladium One is subject to risks relating to elevating capital costs and project delays.

Global demand for goods and services in the mining sector is cyclical. As a consequence, lead-times required to obtain equipment, goods and services could extend.

Palladium One’s Projects are located in jurisdictions with a history of mining and exploration and are therefore susceptible to availability of both skilled and unskilled labour demand, which may delay planned exploration and development activities. As a result, the ability to advance projects as scheduled and budgeted may be tested.

Palladium One’s operations are subject to operational risks and hazards inherent in the mining industry.

Palladium One’s operations are subject to operational risks and hazards inherent in the mineral exploitation and extraction industry, including, but not limited to, variations in grade, deposit size, earthquakes and other Acts of God, density and other geological problems, hydrological conditions, availability of power and hydroelectric sources, metallurgical and other processing problems, mechanical equipment performance problems, drill rig shortages, the unavailability of materials and equipment including fuel, labour force disruptions, unanticipated transportation costs, unanticipated regulatory changes, unanticipated or significant changes in the costs of supplies including, but not limited to, petroleum, labour, and adverse weather conditions and unexpected inflationary changes as a result of the development and operation of other mineral projects in the country. Should any of these risks and hazards affect any of Palladium One’s exploration and development activities, it may cause delays or a complete stoppage in Palladium One’s exploration or development activities, which would have a material and adverse effect on the business of Palladium One.

Palladium One has no history of mineral production.

Palladium One currently has no advanced exploration projects other than the LK Project. The LK Project is an advanced exploration project that has no operating history upon which to base estimates of future operating costs, future capital spending requirements or future site remediation costs or asset retirement obligations. Palladium One has limited experience with projects in a stage and operation status similar to the LK Project and uncertainties remain with advanced exploration stage mining operations and Palladium One can provide no assurance that the necessary expertise will be available if and when it seeks to place any of its mineral properties into production. Palladium One has limited experience in placing mineral properties into production, and its ability to do so will be dependent upon using the services of appropriately experienced personnel or entering into agreements with major mining companies that can provide such expertise. There can be no assurance that Palladium One will have available to it the necessary expertise when and if it places any of its mineral properties into production.

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There is no assurance that title to mineral properties will not be challenged.

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral concessions and claims may be disputed. While Palladium One has diligently investigated title to the mineral concessions and claims underlying the Projects, and other properties over which it has acquired options to purchase the underlying mineral concessions and claims, Palladium One cannot guarantee that title to any such properties will not be challenged, or that title to such properties will not be affected by an unknown title defect. Palladium One’s mineral properties may be subject to prior unregistered liens, agreements or transfers, native land claims or other undetected title defects. Palladium One has not surveyed the boundaries of all of its mineral properties and consequently the boundaries of the properties may be disputed.

Palladium One is subject to a number of inherent exploration, development and operating risks.

Palladium One is engaged in mineral exploration and development, which is highly speculative in nature and involves many risks and is frequently not economically successful. Increasing mineral resources or mineral reserves depends on a number of factors including, among others, the quality of Palladium One’s management and their geological and technical expertise, and the quality of land available for exploration. Once mineralization is discovered, it may take several years of additional exploration and development until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable mineral reserves through drilling or drifting, to determine the optimal metallurgical process and to finance and construct mining and processing facilities. At each stage of exploration, development, construction and mine operation, various permits and authorizations are required, including the support and cooperation of surrounding communities and stakeholders. Applications for many permits require significant amounts of management time and the expenditure of substantial amounts for engineering, legal, environmental, social and other activities. At each stage of a project’s life delays may be encountered because of permitting difficulties. Such delays add to the overall cost of a project and may reduce its economic viability. As a result of these uncertainties, there can be no assurance that mineral exploration and development programs will ultimately result in the profitable commercial production of metals or minerals.

Foreign investments and operations are subject to numerous risks associated with operating in foreign jurisdictions.

Palladium One conducts exploration activities in Finland. Palladium One’s foreign mining investments are subject to the risks normally associated with the conduct of business in foreign countries. The occurrence of one or more of these risks could have a material and adverse effect on Palladium One’s profitability or the viability of its affected foreign operations, which could have a material and adverse effect on Palladium One’s cash flows, earnings, results of operations and financial condition. Risks may include, among others, labour disputes, invalidation of governmental orders and permits, corruption, uncertain political and economic environments, sovereign risk, war (including in neighboring states), civil disturbances and terrorist actions, arbitrary changes in laws or policies of particular countries, the failure of foreign parties or governments to honor contractual relations, consents, rejections or waivers granted, corruption, arbitrary foreign taxation, delays in obtaining or the inability to obtain necessary governmental permits (including export and/or customs approvals), opposition to mining from environmental or other nongovernmental organizations, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on gold or other metals exports, and inadequate infrastructure. These risks may limit or disrupt Palladium One’s operations and exploration activities, restrict the movement of funds or result in the deprivation of contractual rights or the taking of property by nationalization or expropriation without fair compensation.

Changes in mining or investment policies or shifts in political attitudes in Finland may adversely affect Palladium One’s business. Operations may be affected by governmental regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, maintenance of claims, environmental legislation, land use, land claims of local people, including indigenous groups, water use and mine safety. The effect of these factors cannot be accurately predicted.

Government regulations may have an adverse effect on Palladium One’s exploration and development activities, and future operations.

Palladium One’s exploration and development activities are subject to laws and regulations governing health and worker safety, employment standards, waste disposal, protection of the environment, mine development and protection of endangered

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and protected species, treatment of indigenous peoples and other matters. Each jurisdiction in which Palladium One has properties regulates mining and mineral exploration activities. It is possible that future changes in applicable laws, regulations, agreements or changes in their enforcement or regulatory interpretation could result in changes in legal requirements or in the terms and conditions of existing permits and agreements applicable to Palladium One or its properties, which could have a material and adverse effect on Palladium One’s current exploration and development activities. Where required, obtaining necessary permits can be a complex, time-consuming process and Palladium One cannot provide assurance whether any necessary permits will be obtainable on acceptable terms, in a timely manner, or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict Palladium One from proceeding with the development of an exploration project or the operation or further development of a mine. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in interruption or closure of exploration, development or mining operations or material fines, penalties or other liabilities.

Palladium One’s insurance coverage does not encompass all of its potential losses, liabilities and damage related to its business and certain risks are uninsured or uninsurable.

The mineral exploration and mining industry is subject to significant risks that could result in damage to, or destruction of, mineral properties or producing facilities, personal injury or death, environmental damage, delays in mining, and monetary losses and possible legal liability. No coverage is carried for environmental liabilities. Accordingly, the insurance policies of Palladium One and its subsidiaries do not provide coverage for all losses related to their business and the occurrence of losses, liabilities or damage not covered by such insurance policies could have a material and adverse effect on Palladium One’s profitability, results of operations and financial condition.

Palladium One relies on its management team and outside contractors and the loss of one or more of these persons may adversely affect Palladium One.

The success of the operations and exploration and development activities of Palladium One is dependent to a significant extent on the efforts and abilities of its management and outside contractors. Investors must be willing to rely to a significant extent on management’s discretion and judgment, as well as the expertise and competence of outside contractors. Palladium One does not have in place formal programs for succession and training of management. The loss of one or more of these key employees or contractors, if not replaced, could adversely affect Palladium One’s business, results of operations and financial condition.

Palladium One has a limited operating history and no history of earnings, positive cash flow or dividend payments.

An investment in Palladium One common shares should be considered highly speculative due to the nature of Palladium One’s business. Palladium One has no history of earnings, it has not paid any dividends and it is unlikely to enjoy earnings or pay dividends in the immediate or foreseeable future. None of the Palladium One properties have commenced commercial production and Palladium One has no history of earnings or cash flow from its operations. As a result of the foregoing, there can be no assurance that Palladium One will be able to develop any of its properties profitably or that its activities will generate positive cash flow.

Environmental and other regulatory requirements may adversely affect Palladium One.

Palladium One’s activities are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. The exploration operations of Palladium One and development and commencement of production on its properties, do and will require permits from various local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety, treatment of indigenous groups and other matters.

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

The activities of the Corporation depend, to a substantial degree, on adequate infrastructure.

Mining, processing, development and exploration activities depend, to a substantial degree, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants affecting capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the operations, financial condition and results of operations of the Company.

Palladium One faces significant competition for attractive mineral properties.

Significant and increasing competition exists for the limited number of mineral acquisition opportunities available. Palladium One’s ability to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable properties or prospects for mineral exploration. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than Palladium One, the Company may be unable to acquire additional attractive mineral properties on terms it considers acceptable.

Fluctuations in the value of the Canadian dollar may adversely affect Palladium One’s financial position.

A significant portion of Palladium One’s current and proposed activities are carried on in currencies other than the Canadian dollar. Accordingly, such activities are subject to risks associated with fluctuations in the rate of exchange of the Canadian dollar and foreign currencies, particularly the Euro. Palladium One does not currently hedge its currency exposure.

Certain directors and officers may have conflicts of interest.

Certain of the directors and officers of Palladium One are engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies and, as a result of these and other activities, such directors and officers of Palladium One may become subject to conflicts of interest. Situations may arise in connection with potential acquisitions and investments where the other interests of these directors and officers may conflict with the interests of the Corporation. The BCSC provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the BCSC. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCSC.

Palladium One may raise additional funds which would result in dilution to its shareholders.

In order to finance future operations and development efforts, Palladium One may raise funds through the issue of common shares or securities convertible into common shares. The constating documents of the Company allow it to issue, among other things, an unlimited number of common shares for such consideration and on such terms and conditions as may be established by Palladium One’s directors, in many cases, without the approval of Palladium One’s shareholders. The Company cannot predict the size of future issues of common shares or securities convertible into common shares or the effect, if any, that future issues and sales of the common shares will have on the price of the common shares. Any transaction involving the issue of previously authorized but unissued common shares or securities convertible into common shares would result in dilution, possibly substantial, to present and prospective shareholders of the Company.

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Palladium One’s securities may be subject to wide fluctuations in their trading price and volume.

Palladium One’s common shares are listed on the TSXV. In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continued fluctuations in price will not occur, which may result in losses to investors.

The trading price of Palladium One’s common shares may increase or decrease in response to a number of events and factors, including: the Company’s operating performance and the performance of competitors and other similar companies; volatility in palladium, nickel and other metal prices; the public’s reaction to the Company’s press releases, other public announcements and the Company’s filings with the various securities regulatory authorities; the failure of Palladium One to meet the reporting and other obligations under Canadian securities laws or imposed by the TSXV; changes in recommendations by research analysts who may track the common shares or the shares of other companies in the resource sector; a reduction in coverage by such research analysts; changes in general economic and/or political conditions; the arrival or departure of key personnel; and acquisitions, strategic alliances or joint ventures involving the Company or its competitors, which, if involving the issuance of common shares, or securities exercisable or exchangeable for or convertible into common shares, would result in dilution to present and prospective holders of common shares. In addition, the market price of Palladium One’s common shares is affected by many variables not directly related to the Company’s success and are, therefore, not within the Company’s control, including other developments that affect the market for all resource sector securities, the breadth of the public market for the common shares and the attractiveness of alternative investments.

Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. Palladium One may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management’s attention and resources.

Palladium One’s risks related to development projects.

Risks and unknowns inherent in all projects include: the accuracy of mineral reserve estimates; metallurgical recoveries; capital and operating costs of such projects; and the future prices of the relevant minerals. The projects have no significant operating history upon which to base estimates of future cash flow. The capital expenditures and time required to develop new mines or other projects are considerable and changes in costs or construction schedules can affect project economics. It is not unusual in the mining industry for new mining operations to experience unexpected problems during the start-up phase, resulting in delays and requiring more capital than anticipated. Actual costs and economic returns may differ materially from the Company’s estimates or the Company could fail to obtain the governmental approvals necessary for the operation of a project, in which case, the project may not proceed, either on its original timing, or at all.

The success of Palladium One is heavily dependent on its key personnel and on its ability to motivate, retain and attract highly skilled persons.

The success of the Company is heavily dependent on its key personnel and on its ability to motivate, retain and attract highly skilled persons. The competition for qualified personnel in the mining industry is intense. There can be no assurance that the Company will successfully attract and retain additional qualified personnel to manage its current needs and anticipated growth. The failure to attract such qualified personnel to manage growth effectively could have a material adverse effect on the Company’s business, financial condition or results of operations.

PROPOSED TRANSACTIONS

There are no proposed transactions that should be disclosed.

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OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares without par value. As at the date of this MD&A, the following common shares, options, and share purchase warrants were outstanding:

| | Number of shares | Exercise price | Expiry date |
|--------------------------------------|------------------|----------------|-------------|
| Issued and outstanding common shares | 114,993,599 | | |
| Share purchase warrants | 25,000 | \$0.20 | 04/27/2020 |
| Share purchase warrants | 12,160,750 | \$0.12 | 05/09/2021 |
| Share purchase warrants | 500,000 | \$0.12 | 10/18/2021 |
| Share purchase warrants | 31,551,500 | \$0.20 | 12/02/2021 |
| Share purchase warrants | 15,775,750 | \$0.15 | 12/02/2020 |
| Share purchase warrants | 621,750 | \$0.15 | 12/02/2020 |
| Share purchase warrants | 1,334,500 | \$0.20 | 12/02/2021 |
| Stock options | 237,500 | \$0.30 | 03/29/2021 |
| Stock options | 2,400,000 | \$0.08 | 06/07/2024 |
| Stock options | 1,050,000 | \$0.08 | 09/30/2024 |
| Stock options | 5,100,000 | \$0.15 | 12/29/2024 |
| Fully diluted | 185,750,349 | | |

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning the Company’s general and administrative expenses is provided in the Company’s Statement of Operations and Comprehensive Loss contained in its audited financial statements for December 31, 2019, that are available on SEDAR (www.sedar.com).

ADDITIONAL INFORMATION

Additional information relating to the Company is on SEDAR at www.sedar.com.