FIRST NICKEL INC.

and

EQUITY TRANSFER SERVICES INC.

WARRANT INDENTURE

Providing for the Issue of
Series I Share Purchase Warrants

Dated as of June 28, 2004

THIS WARRANT INDENTURE made as of the 28th day of June, 2004.

BETWEEN:

FIRST NICKEL INC., a corporation incorporated and existing under the laws of Ontario and having its registered office in Toronto, in the Province of Ontario

(hereinafter called the **"Corporation"**)

OF THE FIRST PART

- and -

EQUITY TRANSFER SERVICES INC., a company duly incorporated under the laws of Ontario and having its registered office in Toronto, in the Province of Ontario

(hereinafter called the **"Warrant Agent"**)

OF THE SECOND PART

WHEREAS the Corporation intends to create and issue 2,824,000 Series I Warrants which entitle the holder thereof to acquire up to 2,824,000 Common Shares, subject to adjustment in certain circumstances;

AND WHEREAS the Corporation intends to create and issue 805,000 compensation Series I Warrants to registered dealers entitling the holders thereof to acquire upon the due exercise thereof up to 805,000 Series I Warrants;

AND WHEREAS for such purpose the Corporation deems it necessary to create and issue Series I Warrants constituted and issued in the manner hereinafter appearing;

AND WHEREAS all things necessary have been or will be done and performed to make the Series I Warrants and Series I Warrant Certificates (when issued as provided in this Indenture) evidencing such warrants each legal, valid and binding upon the Corporation with the benefits and subject to the terms of this Indenture;

NOW THEREFORE THIS INDENTURE WITNESSETH that for good and valuable consideration mutually given and received, the receipt and sufficiency of which are hereby acknowledged, it is hereby agreed and declared as follows:

ARTICLE 1
INTERPRETATION

1.1 <u>**Definitions.**</u> In this Indenture, unless there is something in the subject matter or context inconsistent therewith, the terms defined in this Section or elsewhere herein shall, for the purpose of this Indenture and all supplemental indentures hereto, have the respective meanings specified in this Section or elsewhere herein:

"Accredited Investor" has the meaning ascribed in Rule 501(a)(1), (2), (3) and (7) under the U.S. Securities Act;

"Applicable Legislation" has the meaning ascribed thereto in Section 11.1.

"business day" means a day which is not a Saturday or Sunday or legal holiday in the City of Toronto, Ontario.

"Common Share Reorganization" has the meaning ascribed thereto in Section 6.1.

"Common Shares" means fully paid and non-assessable common shares in the capital of the Corporation as presently constituted and, in the event of any adjustment pursuant to Section 6.1, **"Common Shares"** shall thereafter mean the shares or other securities or property which a Warrantholder is entitled to purchase resulting from any such adjustment.

"Corporation" means First Nickel Inc. and its lawful successors from time to time.

"Corporation's auditors" means a firm of accountants duly appointed as auditors of the Corporation.

"Current Market Price of the Common Shares", at any date, means the Weighted Average Price at which the Common Shares have traded in board lots on the TSX or, if the Common Shares are not then listed on the TSX, on such stock exchange on which such shares are listed as may be selected, by action by the Directors for such purposes or, if not listed on any stock exchange, on the over-the-counter market, during a period of 20 consecutive trading days ending not more than five trading days before such date or, if not traded on the over-the-counter market, by action by the Directors of the Corporation, acting reasonably, whose determination shall be final. The **"Weighted Average Price"** per Common Share shall be determined by dividing the aggregate sale price of all such shares sold on the aforementioned exchange or market, as the case may be, during the aforementioned 20 consecutive Trading Days by the total number of such shares so sold.

"Director" means a director of the Corporation from time to time, and, unless otherwise specified herein, reference to **"action by the Directors"** means action by the directors of the Corporation as a board or, whenever duly empowered, action by any committee of such board.

"Dividends Paid in the Ordinary Course" means dividends paid on the Common Shares in any fiscal year of the Corporation, whether in (1) cash, (2) shares of the Corporation, (3) warrants or similar rights to purchase any shares of the Corporation, or (4) property or other assets of the Corporation, provided that the value of such dividends (any such shares, warrants or similar rights, or property or other assets so distributed, to be valued at the fair market value of such shares, warrants or similar rights, or property or other assets, as the case may be, as determined by action by the Directors, such determination to be conclusive) does not in such fiscal year exceed 50% of the consolidated net earnings from continuing operations of the Corporation, before any extraordinary items, for the period of 12 consecutive months ending immediately prior to the first day of such fiscal year (such consolidated net earnings from continuing operations to be computed in accordance with generally accepted accounting principles in Canada).

"Exercise Date" with respect to any Series I Warrant means the date on which such warrant is surrendered for exercise in accordance with the provisions of Article 5.

"Exercise Period" means the period commencing on the date that a Series I Warrant is received by a Warrantholder and ending at the Time of Expiry.

"Exercise Price" means in respect of the Series I Warrants, a price per Common Share equal to $0.70, unless such price shall have been adjusted in accordance with the provisions of Article 6, in which case it shall mean the adjusted price in effect at such time.

"Expiry Date" means the day which is 24 months from the date hereof.

"Extraordinary Resolution" has the meaning ascribed thereto in Section 10.11.

"person" means an individual, corporation, partnership, trust or any unincorporated organization.

"Rights Offering" has the meaning attributed thereto in Section 6.1.

"Rights Period" has the meaning attributed thereto in Section 6.1.

"Series I Warrant Certificate" means a certificate evidencing Series I Warrants in the form of a certificate set forth in Section 12.1 of this Indenture.

"Series I Warrants" means common share purchase warrants of the Corporation to be issued hereunder, each entitling the holder thereof to purchase one Common Share at $0.70 at any time on or before 24 months from the date hereof, subject to adjustment in certain events.

"Shareholder" means a holder of record of one or more Common Shares.

"Special Distribution" has the meaning attributed thereto in Section 6.1.

"Subsidiary of the Corporation" means a corporation of which voting securities carrying a majority of the votes attached to all outstanding voting securities, directly or indirectly, are owned by the Corporation, by the Corporation and one or more subsidiaries thereof, or by one or more subsidiaries of the Corporation; and, as used in this definition, **"voting securities"** means securities, other than debt securities, carrying a voting right to elect directors either under all circumstances or under some circumstances that have occurred and are continuing.

"this Warrant Indenture", **"this Indenture"**, **"herein"**, **"hereby"** and similar expressions mean and refer to this Indenture and any indenture, deed or instrument supplemental hereto; and the expressions **"Article"**, **"Section"** and **"Subsection"** followed by a number mean and refer to the specified article, section or subsection of this Indenture.

"Time of Expiry" means 5:00 P.M., Toronto time, on the Expiry Date.

"Trading Day" with respect to a stock exchange means a day on which such stock exchange is open for business and with respect to the over-the-counter market means a day on which the market is open for the transaction of business.

"**TSX**" means the Toronto Stock Exchange.

"U.S. Securities Act" means the Securities Act of 1933, as amended, of the United States.

"Warrant Agent" means Equity Transfer Services Inc., or its successors hereunder.

"Warrantholders" or **"Holders"** without reference to Common Shares means the persons for the time being who are registered holders of Series I Warrant Certificates.

"Warrantholders' Request" means an instrument signed in one or more counterparts by Warrantholders entitled to purchase in the aggregate not less than 25% of the aggregate number of Common Shares which could be purchased pursuant to all Series I Warrants then unexercised and outstanding, requesting the Warrant Agent to take some action or proceeding specified therein.

"written order of the Corporation", **"written request of the Corporation"**, **"written consent of the Corporation"** and **"certificate of the Corporation"** mean, respectively, a written order, request, consent and certificate signed in the name of the Corporation by its Chairman of the Board, President, a Vice-President or a Director and, in addition, by its Secretary or a Director, and may consist of one or more instruments so executed.

1.2 **Number and Gender.** Unless as herein otherwise expressly provided or unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders.

1.3 **Interpretation Not Affected by Headings, etc.** The division of this Indenture into Articles, Sections and Subsections, the provision of a table of contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Indenture.

1.4 **Currency.** All dollar amounts herein are expressed in lawful money of Canada.

1.5 **Applicable Law.** This Indenture and the Series I Warrant Certificates shall be construed in accordance with the laws of the Province of Ontario and shall be treated in all respects as Ontario contracts.

1.6 **Business Day.** In the event that any day on or before which any action is required to be taken hereunder is not a business day, then such action shall be required to be taken on or before the requisite time on the next succeeding day that is a business day.

ARTICLE 2
ISSUE OF SERIES I WARRANTS

2.1 **Issue of Series I Warrants.** Series I Warrants, entitling the Holders thereof to purchase up to an aggregate of 3,629,000 Common Shares (subject to adjustments as provided in Article 6 hereof) are hereby created and authorized to be issued at any time and from time to time and shall be executed by the Corporation and issued by the Warrant Agent upon the written order of the Corporation and delivered by the Warrant Agent to the Corporation in accordance with such written order of the Corporation. Each Series I Warrant authorized to be issued hereunder shall entitle the Holder thereof to purchase one Common Share (subject to adjustments in accordance with Article 6) at any time during the Exercise Period, and at a price equal to the Exercise Price, applicable to such Series I Warrant.

2.2 **Form of Series I Warrants.** The Series I Warrants shall be in registered form, and shall be substantially in the form set out in Section 12.1. Series I Warrant Certificates shall be dated as of the date of their issue, and shall bear such distinguishing letters and numbers as the Corporation shall with the approval of the Warrant Agent prescribe. Series I Warrant Certificates shall be issuable in any denomination.

2.3 **Issue in Substitution for Lost Series I Warrant Certificates**

(1) In case any Series I Warrant Certificate shall become mutilated or be lost, destroyed or stolen, the Corporation, subject to Applicable Legislation, shall issue and thereupon the Warrant Agent shall certify and deliver, a new Series I Warrant Certificate of the same class and of like tenor as the one mutilated, lost, destroyed or stolen in exchange for and in place of and upon cancellation of such mutilated Series I Warrant Certificate, or in lieu of and in substitution for such lost, destroyed or stolen Series I Warrant Certificate, and the substituted Series I Warrant Certificate shall be in a form approved by the Warrant Agent and shall be entitled to the benefits hereof and shall rank equally in accordance with its terms with all other Series I Warrant Certificates issued or to be issued hereunder.

(2) The applicant for the issue of a new Series I Warrant Certificate pursuant to this Section shall bear the cost of the issue thereof and in case of loss, destruction or theft shall, as a condition precedent to the issue thereof, furnish to the Corporation and to the Warrant Agent such evidence of ownership and of the loss, destruction or theft of the Series I Warrant Certificate so lost, destroyed or stolen as shall be satisfactory to the Corporation and the Warrant Agent in their sole discretion, and such applicant shall also be required to furnish indemnity or security in amount and form satisfactory to the Corporation and the Warrant Agent to save each of them harmless, and shall pay the expenses, and charges of the Corporation and the Warrant Agent in connection therewith.

2.4 **Series I Warrantholder not a Shareholder.** Nothing in this Indenture, a Series I Warrant Certificate, or otherwise, shall be construed as conferring upon a Warrantholder any right or interest whatsoever as a Shareholder or any other shareholder of the Corporation, including, but not limited to, the right to vote at, to receive notice of, or to attend, meetings of shareholders or any other proceedings of the Corporation, or the right to receive dividends and other distributions.

2.5 **Signing of Series I Warrant Certificates.** The Series I Warrant Certificates shall be signed by any one of the Chairman of the Board, President, any Vice-President, the Secretary or a Director of the Corporation. The signatures of such officer or Director may be mechanically reproduced in facsimile and Series I Warrant Certificates bearing such facsimile signatures shall be binding upon the Corporation as if they had been manually signed by such officer. Notwithstanding that any of the persons whose manual or facsimile signature appears on any Series I Warrant Certificate as one of such officers may no longer hold office at the date of such Series I Warrant Certificate or at the date of certification or delivery thereof, any Series I Warrant Certificate signed as aforesaid shall, subject to Section 2.6, be valid and binding upon the Corporation and the holder is entitled to the benefits hereof.

2.6 **Certification by the Warrant Agent**

(1) No Series I Warrant Certificate shall be issued or, if issued, shall be valid for any purpose or entitle the Holder to the benefit thereof until it has been certified by the Warrant Agent by means of a manual signature of one or more of its duly authorized officers substantially in the form of the certificate set out in Article 12 or in some other form approved by the Corporation and the Warrant Agent, and such certification by the Warrant Agent upon any Series I Warrant Certificate shall be conclusive evidence as against the Corporation that the Series I Warrant Certificate so certified has been duly issued hereunder and that the Holder is entitled to the benefits hereof.

(2) The certification of the Warrant Agent on Series I Warrant Certificates issued hereunder shall not be construed as a representation or warranty by the Warrant Agent as to the validity of this Indenture or of the Series I Warrant Certificates (except the due certification thereof) and the Warrant Agent shall in no respect be liable or answerable for the use made of the Series I Warrant Certificates or any of them or of the consideration therefor except as otherwise specified herein.

2.7 **Issue and Delivery of Series I Warrants.** Series I Warrant Certificates shall be signed by the Corporation as aforesaid and delivered to the Warrant Agent from time to time together with a written direction of the Corporation from time to time given by the Corporation to the Warrant Agent and signed by the Chairman, the President, any Vice-President, the Secretary or a Director of the Corporation as to the registration and delivery of the Series I Warrant Certificates. The Warrant Agent shall forthwith deliver to the person or persons in whose name or names the Series I Warrant Certificate is to be issued or mail to such person or persons at their respective addresses specified in the written direction from the Corporation the Series I Warrant Certificate for the appropriate number of Series I Warrants.

2.8 **Series I Warrants to Rank *Pari Passu*.** All Series I Warrants shall rank *pari passu*, whatever may be the actual date of issue of the same.

ARTICLE 3
EXCHANGE AND OWNERSHIP OF SERIES I WARRANTS; NOTICE TO WARRANTHOLDERS

3.1 **Exchange of Series I Warrant Certificates**

(1) Series I Warrant Certificates may, upon compliance with the reasonable requirements of the Warrant Agent, be exchanged for another Series I Warrant Certificate or Series I Warrant Certificates of the same class and of like tenor representing the same number of Series I Warrants.

(2) Series I Warrant Certificates may be exchanged only at the office of the Warrant Agent in the City of Toronto, Ontario or at any other place that is designated by the Corporation with the approval of the Warrant Agent. Any Series I Warrant Certificates tendered for exchange shall be cancelled and surrendered by the Warrant Agent to the Corporation.

3.2 **Charges for Exchange.** Except as otherwise herein provided, the Warrant Agent shall charge to the holder requesting an exchange a reasonable sum for each new Series I Warrant Certificate issued in exchange for any Series I Warrant Certificate(s) and payment for any and all stamp taxes or governmental or other charges required to be paid by the holder requesting such exchange shall be made by such holder as a condition precedent thereto.

3.3 **Transfer of Series I Warrants.** Subject to any restriction under applicable law or policy of any applicable regulatory body, the Series I Warrants and Series I Warrant Certificates and the rights thereunder are transferrable by the registered holder thereof, upon due completion and execution of the transfer form set out in Article 12 and compliance with the conditions prescribed hereunder, without the consent of the Corporation.

3.4 **Registration of Series I Warrants**

(1) The Corporation shall, at all times while any Series I Warrants are outstanding, cause the Warrant Agent to maintain a register in which will be entered the names, latest known addresses of the holders of Series I Warrants and, if available, telecopier numbers of the holders of the Series I Warrants and particulars of the Series I Warrants held by them, and a register of transfers in which shall be entered the particulars of all transfers of Series I Warrants, such registers to be kept by and at the office of the Warrant Agent in the City of Toronto.

(2) No transfer of a Series I Warrant shall be valid unless made by the Warrantholder or its executors or administrators or other legal representatives or his or their attorney duly appointed by an instrument in writing in form and execution satisfactory to the Corporation, upon compliance with such reasonable requirements as the Warrant Agent may prescribe and unless such transfer shall have been duly entered on the register of transfers and/or noted on the Series I Warrant Certificate evidencing such Series I Warrant. The Corporation shall not be charged with notice of or be bound to see to the execution of any trust, whether expressed, implied or constructive, in respect of any Series I Warrant and shall, on the written direction of the registered holder thereof, whether named as trustee or otherwise, as though that person were the beneficial owner thereof, enter such transfer on the register of transfers and/or note such transfer on the Series I Warrant Certificate within two business days of receipt of such direction.

(3) The holder of a Series I Warrant may at any time and from time to time have such Series I Warrant transferred at any place at which a register of transfers is kept pursuant to the provisions of this Section 3.4 in accordance with such reasonable requirements as the Warrant Agent may prescribe.

(4) The registers referred to in this Section shall at all reasonable times be open for inspection by the Corporation, by the Warrant Agent and by any Warrantholder. The Warrant Agent, when requested so to do by the Corporation, shall furnish the Corporation with a list of names, addresses and any telecopier numbers of the holders of the Series I Warrants showing the serial numbers of such Series I Warrant Certificates held by each holder.

3.5 **Recognition of Registered Holder**

(1) The Corporation and the Warrant Agent may deem and treat the registered holder of any Series I Warrant Certificate as the absolute holder and owner of the Series I Warrants evidenced thereby for all purposes, and the Corporation and the Warrant Agent shall not be affected by a notice or knowledge to the contrary and, without limiting the foregoing, shall not be bound by notice of any trust or be required to see to the execution thereof. Subject to the provisions of this Indenture and applicable law, the registered holder of any Series I Warrant Certificate shall be entitled to the rights evidenced by such Series I Warrant Certificate free from all equities or rights of set-off or counterclaim between the Corporation and the original or any intermediate holder thereof and all persons may act accordingly and the receipt by any such holder of the Common Shares purchaseable pursuant thereto shall be a good discharge to the Corporation and the Warrant Agent for the same and neither the Corporation nor the Warrant Agent shall be bound to inquire into the title of any such holder, except where the Corporation or the Warrant Agent is required to take notice by statute or by order of a court of competent jurisdiction.

(2) The person in whose name any Series I Warrant shall be registered shall for all purposes of this Indenture be and be deemed to be the owner thereof and shall be entitled to the rights, privileges and obligations contained in the Series I Warrant Certificate and this Indenture.

3.6 **Notice to Warrantholders.** All notices to be given hereunder to Warrantholders shall be deemed to be validly given if delivered to such holders or sent by mail, postage prepaid, by letter addressed to such holders at their post office address appearing in the register of Warrantholders maintained by the Warrant Agent hereunder. Any notice so given shall be deemed to have been given on the date of delivery or five business days after the date of mailing, as the case may be. Accidental error or omission in giving notice or accidental failure to mail a notice to any Warrantholder shall not invalidate any action or proceeding founded thereon. All notices with respect to any Series I Warrants may be given to whichever one of the holder thereof (if more than one) is named first on the registers hereinbefore mentioned, and any notice so given shall be sufficient notice to all holders and/or persons interested in such Series I Warrants. If, by reason of strike, lockout or other work stoppage, actual or threatened, involving postal employees, any notice to be given hereunder could reasonably be considered unlikely to reach its destination, such notice shall be valid and effective only if it is delivered to an office of the party to which it is addressed or if it is delivered to such party at the appropriate address by facsimile transmission or other means of prepaid, transmitted, recorded communication and any such notice delivered in accordance with the foregoing shall be deemed to have been received on the date of delivery to such person, or if delivered by facsimile transmission or other means of prepaid, transmitted, recorded communication, on the first business day following the date of sending of such notice by the person giving such notice.

ARTICLE 4
PURCHASE BY AGREEMENT WITH HOLDERS

4.1 **Purchase of Series I Warrants.** The Corporation may, at any time and from time to time, purchase by invitation for tender, by private contract or otherwise (which shall include a purchase through an investment dealer or firm holding membership on a Canadian stock exchange) the Series I Warrants on such terms as the Corporation may determine and the Holders may agree. All Series I Warrants purchased pursuant to the provisions of this Section 4.1 shall be forthwith delivered to, cancelled and destroyed by the Warrant Agent and shall not be reissued. If required by the Corporation, the Warrant Agent shall furnish the Corporation with a certificate as to such destruction.

ARTICLE 5
EXERCISE OF SERIES I WARRANTS

5.1 Method of Exercise of Series I Warrants

(1) Subject to provisions of Subsection 5.1(4) hereof, the Holder of any Series I Warrant may exercise the right thereby conferred on such Holder to purchase Common Shares by surrendering to the Warrant Agent during the Exercise Period applicable to such Series I Warrant at its office in the City of Toronto, Ontario or any other place or places that may be designated by the Corporation with the approval of the Warrant Agent:

(a) the Series I Warrant Certificate, with a duly completed and executed subscription substantially in the form set out in Section 12.2 hereof; and

(b) cash, a certified cheque, bank draft, money order or wire or similar transfer of funds in lawful money of Canada payable to or to the order of the Corporation or the Warrant Agent at par, in the city where such Series I Warrant Certificate is surrendered for exercise, in an amount equal to the Exercise Price applicable to such Series I Warrant multiplied by the number of Common Shares subscribed for.

A Series I Warrant Certificate with the duly completed subscription form, together with the payment aforesaid, shall be deemed to be surrendered only upon delivery thereof or, if sent by mail or other means of transmission upon actual receipt thereof, the Warrant Agent at its office in the City of Toronto, Ontario.

(2) Any subscription form referred to in Subsection 5.1(1) shall be signed by the Warrantholder and shall specify the number of Common Shares which the Holder desires to purchase (being not more than those which the Holder is entitled to purchase pursuant to the Series I Warrant Certificate(s) surrendered), the person or persons in whose name or names such Common Shares are to be issued, the address or addresses of such person or persons (or the office of the Warrant Agent at which the Series I Warrant Certificate(s) was (were) surrendered and such Common Shares are to be sent) and the number of Common Shares to be issued to each such person if more than one is so specified. If any of the Common Shares subscribed for are to be issued to a person or persons other than the Warrantholder, the Warrantholder shall pay to the Warrant Agent all applicable transfer or similar taxes, if any, and the Corporation shall not be required to issue or deliver certificates evidencing Common Shares unless or until such Warrantholder shall have paid to the Warrant Agent the amount of such tax, if any, or shall have established to the satisfaction of the Warrant Agent or of the Corporation that such tax has been paid or that no tax is due.

(3) The Warrant Agent shall account promptly to the Corporation with respect to Series I Warrants exercised and concurrently pay to the Corporation, by wire transfer or other means acceptable to the Corporation to one or more bank accounts designated in advance, all monies received on the purchase of Common Shares through the exercise of Series I Warrants pursuant to this Section.

(4) Since the Common Shares issuable upon exercise of the Series I Warrants have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**1933 Act**"), or the securities laws of any states of the United States, the Series I Warrants may not be exercised within the United States or by or on behalf of a U.S. Person (as those terms are defined in Regulation S under the 1933 Act) unless the registered holder of the Series I Warrants is either the initial purchaser thereof or a permitted transferee who is an Accredited Investor. Any person who exercises a

Series I Warrant must provide to the Warrant Agent, concurrently with the delivery of the warrant subscription form, either (A) written certification that it is not a U.S. Person and that such Series I Warrant is not being exercised within the United States or on behalf of, or for the account or benefit of, a U.S. Person or a person in the United States (as those terms are defined in Regulation S under the 1933 Act), or (B) a written certification that such person is the original purchaser of the Series I Warrants or a permitted transferee who is an Accredited Investor, or a written opinion of counsel of recognized standing reasonably satisfactory to the Corporation to the effect that the Common Shares have been registered under the 1933 Act and any applicable states securities laws or are exempt from registration thereunder.

5.2 <u>Effect of Exercise of Series I Warrants</u>

(1) Upon compliance by the Holder of any Series I Warrant with the provisions of Section 5.1, the Common Shares so subscribed for shall be deemed to have been issued and the person or persons to whom such Common Shares are to be issued shall be deemed to have become the holder or holders of record of such Common Shares on the Exercise Date unless the transfer books of the Corporation shall be closed on such date, in which case the Common Shares subscribed for shall be deemed to have been issued, and such person or persons shall be deemed to have become the holder or holders of record of such Common Shares, on the date on which such transfer books were reopened but such Common Shares shall be issued at the Exercise Price applicable to such Series I Warrant in effect on the Exercise Date.

(2) When the transfer books of the Corporation have been open for five business days after the due exercise of a Series I Warrant(s) as aforesaid, the Corporation shall forthwith (i) cause to be mailed to the person or persons in whose name or names the Common Shares so subscribed for are to be issued, as specified in the subscription form completed on the Series I Warrant Certificate(s), at the address(es) specified in such subscription or (ii) if so specified in such subscription form, cause to be delivered to such person or persons at the office of the Warrant Agent, a share certificate or certificates for the appropriate number of Common Shares to which the Warrantholder is entitled and has elected to purchase pursuant to the Series I Warrant Certificate(s) surrendered.

5.3 <u>Subscription for Less than Entitlement; Fractions</u>

(1) The Holder of any Series I Warrant Certificate(s) may subscribe for and purchase a number of Common Shares less than the number which the holder is entitled to purchase pursuant to the surrendered Series I Warrant Certificate(s) provided that, in no event shall fractional Common Shares be issued with respect to Series I Warrants exercised. In such event, the Holder thereof upon exercise thereof shall, in addition, be entitled to receive a new Series I Warrant Certificate(s) of the same class as the Series I Warrant Certificates so surrendered in respect of the balance of the Common Shares, which such Holder was entitled to purchase pursuant to the surrendered Series I Warrant Certificate(s) and which were not then purchased.

(2) Notwithstanding any adjustment provided for in Section 6.1 or otherwise, the Corporation shall not be required, upon the exercise of any Series I Warrant(s), to issue a fraction of a Common Share or to distribute certificates which evidence fractional Common Shares. Warrantholders will be entitled to receive a cash payment in respect of fractional Common Shares that might otherwise have been issued, based on the Current Market Price of the Common Shares.

5.4 **<u>Expiry of Series I Warrants</u>.** After the Time of Expiry, all rights under any Series I Warrant, in respect of which the right of subscription and purchase herein and therein provided for shall not theretofore have been exercised, shall wholly cease and terminate, and such Series I Warrant shall be void and of no effect.

5.5 **<u>Cancellation of Surrendered Series I Warrant Certificates</u>.** All Series I Warrant Certificates surrendered to the Warrant Agent pursuant to Section 2.3, Section 3.1 or Article 5 shall be cancelled by the Warrant Agent and returned to the Corporation for destruction. The Corporation shall, if required by the Warrant Agent, furnish the Warrant Agent with a destruction certificate identifying the

Series I Warrant Certificates so destroyed and the number of Common Shares which could have been purchased pursuant to each destroyed Certificate.

ARTICLE 6
ADJUSTMENT OF SUBSCRIPTION RIGHTS AND EXERCISE PRICE

6.1 **Adjustment of Exercise Price and Number of Common Shares Purchasable Upon Exercise.** The Exercise Price applicable to the Series I Warrants (or the number and type of securities purchasable upon exercise of the Series I Warrants in the case of Subsections 6.1(4) and 6.1(5) below) shall be subject to adjustment from time to time in the events and in the manner provided as follows:

(1) Common Share Reorganization. If at any time during the Exercise Period applicable to such Series I Warrant, the Corporation shall:

(a) issue Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all the holders of Common Shares as a stock dividend or otherwise (other than as a Dividend Paid in the Ordinary Course), or

(b) subdivide its outstanding Common Shares into a greater number of shares, or

(c) consolidate its outstanding Common Shares into a smaller number of shares,

(any of such events in these clauses (a), (b) and (c) being called a **"Common Share Reorganization"**), then the Exercise Price shall be adjusted effective immediately after the record date at which the holders of Common Shares are determined for the purposes of the Common Share Reorganization by multiplying the Exercise Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of Common Shares outstanding on such record date before giving effect to such Common Share Reorganization and the denominator of which shall be the number of Common Shares outstanding after giving effect to such Common Share Reorganization (including, in the case where securities exchangeable for or convertible into Common Shares are distributed, the number of Common Shares that would have been outstanding had all such securities been exchanged for or converted into Common Shares on such record date).

(2) Rights Offering. If at any time during the Exercise Period applicable to such Series I Warrant, the Corporation shall issue rights, options or warrants to all or substantially all of the holders of the Common Shares under which such holders are entitled, during a period expiring not more than forty-five days after the record date for such issue (the "**Rights Period**"), to subscribe for or purchase Common Shares or securities exchangeable for or convertible into Common Shares at a price per share to the holder (or at an exchange or conversion price per share at the date of issue of such securities to the holder in the case of securities exchangeable for or convertible into Common Shares) of less than 95% of the Current Market Price of the Common Shares on such record date (any of such events being called a **"Rights Offering"**), then the Exercise Price shall be adjusted effective immediately after the end of the Rights Period to a price determined by multiplying the Exercise Price in effect immediately prior to the end of the Rights Period by a fraction:

(a) the numerator of which shall be the aggregate of:

(i) the number of Common Shares outstanding as of the record date for the Rights Offering, and

(ii) a number determined by dividing (1) either (a) the product of the number of Common Shares issued or subscribed during the Rights Period upon exercise of the rights, warrants, or options under the Rights Offering and the price or prices at which such Common Shares are offered, or, as the case may be, (b) the product of the exchange or conversion price of such securities offered and the number of Common Shares for or into which the securities so offered pursuant to the Rights Offering could have been exchanged or converted during the Rights Period, by (2) the Current Market Price of the Common Shares, as the case may be, as of the record date for the Rights Offering, and

(b) the denominator of which shall be the number of Common Shares issued and outstanding after giving effect to the Rights Offering (including the number of Common Shares actually issued or subscribed for during the Rights Period upon exercise of the rights, warrants or options under the Rights Offering or upon the exercise of the exchange or conversion right contained in such exchangeable or convertible securities under the Rights Offering).

Any Warrantholder which shall have exercised his right to purchase Common Shares in accordance with this Subsection 6.1(2) during the period beginning immediately after the record date for a Rights Offering and ending on the last day of the Rights Period therefor shall receive from the Corporation, no later than 60 days after the end of the Rights Period, a cash payment equal to the difference, if any, between the Exercise Price in effect immediately prior to the end of such Rights Offering and the Exercise Price as adjusted for such Rights Offering pursuant to this subsection (2) multiplied by the number of Common Shares purchased upon exercise by such Warrantholder during such period. Such payment shall be made by cheque in Canadian dollars mailed to the address to which the Common Shares purchased upon such exercise are to be sent.

(3) Special Distribution. If at any time during the Exercise Period applicable to such Series I Warrant, the Corporation shall issue or distribute to all or substantially all holders of the Common Shares:

(a) securities of the Corporation including rights, options or warrants to acquire Common Shares or securities exchangeable for or convertible into Common Shares or property or other assets of the Corporation, or

(b) any property or other assets,

and if such issuance or distribution does not constitute a Dividend Paid in the Ordinary Course, a Common Share Reorganization or a Rights Offering (any of such non-excluded events being herein called a **"Special Distribution"**), the Exercise Price shall be adjusted effective immediately after the record date at which the holders of Common Shares, as the case may be, are determined for purposes of the Special Distribution to a price determined by multiplying the Exercise Price in effect on the record date of the Special Distribution by a fraction:

(i) the numerator of which shall be the difference between:

(A) the product of (1) the aggregate number of Common Shares outstanding on such record date and (2) the Current Market Price of the Common Shares on such record date; and

(B) the fair market value, as determined by action by the Directors (whose determination shall be conclusive), to the holders of such securities, rights, options, warrants, evidences of indebtedness or property or other assets issued or distributed in the Special Distribution; and

(ii) the denominator of which shall be the number of Common Shares outstanding on such record date multiplied by the Current Market Price of the Common Shares on such record date.

(4) Capital Reorganization. If during the Exercise Period applicable to such Series I Warrant there should be a reclassification of Common Shares at any time outstanding or change of the Common Shares into other shares or into other securities (other than a Common Share Reorganization), or in case of the consolidation, amalgamation or merger of the Corporation with or into any other corporation (other than a consolidation, amalgamation or merger which does not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other shares or into other securities), or in case of any transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another corporation, at any time during the Exercise Period (any of such events being herein called a **"Capital Reorganization"**), any Warrantholder who thereafter shall exercise his right to purchase Common Shares pursuant to Series I Warrant(s) then held shall be entitled to receive, and shall accept, in lieu of the number of Common Shares to which such holder was theretofore entitled upon such exercise, the kind and amount of shares and other securities or property which such holder would have been entitled to receive as a result of such Capital Reorganization if, on the effective date thereof, the Warrantholder had been the registered holder of the number of Common Shares to which such holder was theretofore entitled upon exercise. If necessary, as a result of any such Capital Reorganization, appropriate adjustments shall be made in the application of the provisions set forth in this Article 6 with respect to the rights and interests thereafter of the Warrantholder to the end that the provisions set forth in this Article 6 shall thereafter correspondingly be made applicable as nearly as may reasonably be in relation to any shares, other securities or property thereafter deliverable upon the exercise of any Series I Warrant. Any such adjustments shall be made by and set forth in an indenture supplemental hereto approved by action by the Directors and by the Warrant Agent (and subject to the approval, if required, of any applicable stock exchange) and shall for all purposes be conclusively deemed to be an appropriate adjustment.

(5) If during the Exercise Period applicable to such Series I Warrant, a Common Share Reorganization shall occur, any Warrantholder who has not exercised his right of purchase on or prior to the record date of such Common Share Reorganization, upon the exercise of such right thereafter shall be entitled to receive, and shall accept, in lieu of the number of Common Shares then subscribed for by such Holder, at the Exercise Price determined in accordance with Subsection 6.1(1) of this Section, the aggregate number of Common Shares that such Holder would have been entitled to receive as a result of such Common Share Reorganization, if, on such record date, such Holder had been the registered holder of the number of Common Shares so subscribed for.

(6) Any adjustments to the Exercise Price as set forth herein shall also include a corresponding adjustment to the number of Common Shares issuable upon the exercise of the Series I Warrants which shall be calculated by multiplying the number of Common Shares issuable upon the exercise of each Series I Warrant immediately prior to such adjustment by a fraction: (i) the numerator of which shall be the Exercise Price prior to the adjustment; and (ii) the denominator of which shall be the Exercise Price after the adjustment.

6.2 Rules Regarding Calculation of Adjustment of Exercise Price and Number of Common Shares Purchasable Upon Exercise. For the purposes of Section 6.1 hereof:

(1) The adjustments provided for in Section 6.1 are cumulative and such adjustments shall be made successively whenever an event referred to therein shall occur, subject to the following Subsections of this Section 6.2.

(2) No adjustment in the Exercise Price shall be required unless such adjustment would result in a change of at least 1% in the prevailing Exercise Price and no adjustment shall be made in the number of Common Shares purchasable upon exercise of a Series I Warrant unless it would result in a change of at least one one-hundredth of a share, provided, however, that any adjustments which, except for the provisions of this Subsection 6.2(2), would otherwise have been required to be made, shall be carried forward and taken into account in any subsequent adjustment, provided further that, in no event, shall the Corporation be obligated to issue fractional Common Shares upon exercise of Series I Warrants.

(3) No adjustment in the Exercise Price or in the number of Common Shares purchasable upon exercise shall be made in respect of any event described in Section 6.1 hereof, other than the

events referred to in clauses (b) and (c) thereof, if Warrantholders are entitled to participate in such event on the same terms *mutatis mutandis* (such participation being subject to the prior consent, if required, of any applicable stock exchange) as if Warrantholders had exercised their Series I Warrants prior to or on the effective date or record date of such event.

(4) No adjustment in the Exercise Price shall be made pursuant to Section 6.1 hereof in respect of the issue from time to time of Common Shares pursuant to this Indenture, or Shareholders of the Corporation who exercise an option to receive substantially equivalent dividends in Common Shares in lieu of receiving a cash Dividend Paid in the Ordinary Course, and any such issue shall be deemed not to be a Common Share Reorganization.

(5) If a dispute shall at any time arise with respect to adjustments of the Exercise Price or the number of Common Shares exercisable pursuant to subscription rights, such dispute shall be conclusively determined by the auditors of the Corporation or if they are unable or unwilling to act, by such other firm of independent chartered accountants as may be selected by action by the Directors and approved by the Warrant Agent and any such determination shall (subject to the approval of any applicable stock exchange) be conclusive evidence of the correctness of any adjustment made under Section 6.1.

(6) In case the Corporation after the date of this Indenture shall take any action affecting the Common Shares, other than action described in Section 6.1, which in the opinion of the Board of Directors of the Corporation would materially affect the rights of Warrantholders, the Exercise Price and/or the number of Common Shares purchasable upon exercise shall be adjusted in such manner, if any, and at such time, by action by the Directors, in their sole discretion (subject to the approval of any applicable stock exchange), as may be equitable in the circumstances. Failure of the taking of action by the Directors so as to provide for an adjustment prior to the effective date of any action by the Corporation affecting the Common Shares shall be conclusive evidence that the Board of Directors of the Corporation has determined that it is equitable to make no adjustment in the circumstances.

(7) If the Corporation shall take a record of the holders of its Common Shares for the purpose of entitling them to receive any dividend or distribution or any subscription or purchase rights and shall, thereafter and before the distribution to such shareholders of any such dividend, distribution or subscription or purchase rights, legally abandon its plan to pay or deliver such dividend, distribution or subscription or purchase rights, then no adjustment in the Exercise Price or the number of Common Shares purchasable upon exercise of any Series I Warrant shall be required by reason of the taking of such record.

6.3 **<u>Proceedings Prior to any Action Requiring Adjustment</u>.** As a condition precedent to the taking of any action which would require an adjustment pursuant to Section 6.1, the Corporation shall take any action which may, in the opinion of counsel, be necessary in order that the Corporation may validly and legally issue as fully paid and non-assessable all the Common Shares which the holders of the Series I Warrants are entitled to receive on the full exercise thereof in accordance with the provisions hereof.

6.4 **<u>Notice of Adjustment of Exercise Price and Number of Common Shares Purchasable Upon Exercise</u>.**

(1) At least 21 days prior to the effective date or record date, as the case may be, of any event which requires or might require an adjustment in any of the subscription rights pursuant to any of the Series I Warrant(s), including the Exercise Price or the number of Common Shares which are purchasable upon the exercise thereof, the Corporation shall:

(a) file with the Warrant Agent a certificate of the Corporation specifying the particulars of such event and, if determinable, the required adjustment and the computation of such adjustment; and

(b) give notice to the Warrantholders of the particulars of such event and, if determinable, the required adjustment in the manner provided for in Article 3.

(2) In case any adjustment for which a notice in Subsection 6.4(1) has been given is not then determinable, the Corporation shall promptly after such adjustment is determinable:

(a) file with the Warrant Agent a computation of such adjustment; and

(b) give notice to the Warrantholders of the adjustment in the manner provided for in Article 3.

ARTICLE 7
COVENANTS

7.1 **General Covenants.** The Corporation covenants that so long as any Series I Warrant remains outstanding and may be exercised:

(a) it will cause the certificates representing the Common Shares from time to time subscribed and paid for pursuant to the exercise of the Series I Warrants to be duly issued and delivered in accordance with the Series I Warrant Certificates and the terms hereof;

(b) all Common Shares which shall be issued upon exercise of the right to purchase provided for herein and in the Series I Warrant Certificates, upon payment of the applicable Exercise Price herein provided for and in the Series I Warrant Certificates, shall be fully paid and non-assessable;

(c) it will reserve and keep available a sufficient number of Common Shares for the purpose of enabling it to satisfy its obligation to issue Common Shares upon the exercise of the Series I Warrants;

(d) it will give to the Warrantholders, in the manner provided in Article 3, and to the Warrant Agent, notice of its intention to fix a record date, or effective date, as the case may be, for any event referred to in Section 6.1 (other than the subdivision or consolidation of the Common Shares), which may give rise to an adjustment of the Exercise Price or number of Common Shares purchasable upon exercise and, in each case, such notice shall specify the particulars of such event and the record date, or the effective date, for such event; provided that the Corporation shall only be required to specify in such notice such particulars of such event as shall have been fixed and determined on the date on which such notice is given. Such notice shall be given in each case not less than 21 days prior to the applicable record date or effective date, as the case may be;

(e) it will not close its transfer books or take any other action which might deprive the Warrantholders of the opportunity to exercise their right of purchase pursuant to the Series I Warrants held by such persons during the period of 21 days after the giving of a notice required by Section 6.1 or unduly restrict such opportunity; and

(f) it will maintain its corporate existence and will carry on and conduct its business in accordance with industry standards and good business practice.

7.2 **Warrant Agent's Remuneration and Expenses**. The Corporation covenants that it will pay to the Warrant Agent from time to time reasonable remuneration for its services hereunder as may be agreed upon by the Warrant Agent and the Corporation, and will pay or reimburse the Warrant Agent upon its request for all reasonable expenses, disbursements and advances incurred or made by the Warrant Agent in the administration or execution of its duties hereunder (including the reasonable compensation and the disbursements of its counsel and all other advisers and assistants not regularly in its employ), except any such expense, disbursement or advance as may arise out of or result from the Warrant Agent's own negligent action, negligent failure to act, willful misconduct or bad faith.

7.3 **Performance of Covenants by Warrant Agent.** If the Corporation shall fail to perform any of its covenants contained in this Warrant Indenture, the Warrant Agent may notify the Warrantholders of such failure on the part of the Corporation or may itself perform any of the said covenants capable of being performed by it, but shall be under no obligation to perform said covenant or to notify the Warrantholders of such performance by it. All sums expended or advanced by the Warrant Agent in so doing shall be repayable as provided in Section 8.2. No such performance, expenditure or advance by the Warrant Agent shall be deemed to relieve the Corporation of any default hereunder.

ARTICLE 8
ENFORCEMENT

8.1 **Suits by Warrantholders.** All or any of the rights conferred upon any Warrantholder by any of the terms of the Series I Warrant Certificates or of the Indenture, or of both, may be enforced by the Warrantholder by appropriate legal proceedings but without prejudice to the right which is hereby conferred upon the Warrant Agent to proceed in its own name to enforce each and all of the provisions herein contained for the benefit of the Warrantholders.

8.2 **Immunity of Directors, Officers, etc.** By the acceptance of the Series I Warrant Certificates and as part of the consideration for the issue of the Series I Warrants, the Warrantholders and the Warrant Agent hereby waive and release any right, cause of action or remedy now or hereafter existing in any jurisdiction against any person in his capacity as a past, present or future director, officer, employee or agent of the Corporation or any successor corporation for the issue of the Common Shares pursuant to any Series I Warrant or on any covenant, agreement, representation or warranty by the Corporation herein or in the Series I Warrant Certificates contained.

8.3 **Limitation of Liability.** The obligations hereunder are not personally binding upon, nor shall resort hereunder be had to, the private property of any of the past, present or future directors, officers, employees or agents of the Corporation or any successor corporation, but only the property of the Corporation or any successor corporation shall be bound in respect hereof.

ARTICLE 9
MEETINGS OF WARRANTHOLDERS

9.1 **Right to Convene Meetings.** The Warrant Agent may at any time and from time to time, and shall on receipt of a written request of the Corporation or of a Warrantholders' Request and upon being indemnified to its reasonable satisfaction by the Corporation or by the Warrantholders signing such Warrantholders' Request against the costs which may be incurred in connection with the calling and holding thereof, convene a meeting of the Warrantholders. In the event of the Warrant Agent failing to so convene a meeting within 15 days after receipt of such written request of the Corporation or Warrantholders' Request and indemnity given as aforesaid, the Corporation or such Warrantholders, as the case may be, may convene such meeting. Every such meeting shall be held in the Province of Ontario or at such other place as may be approved or determined by the Warrant Agent.

9.2 **Notice.** At least 10 days' prior notice of any meeting of Warrantholders shall be given to the Warrantholders in the manner provided for in Article 3 and a copy of such notice shall be sent by mail to the Warrant Agent unless the meeting has been called by it and to the Corporation unless the meeting has been called by it. Such notice shall state the time when and the place where the meeting is to be held and shall state briefly the general nature of the business to be transacted thereat and it shall not be necessary for any such notice to set out the terms of any resolution to be proposed or any of the provisions of this Article 9.

9.3 **Chairman.** An individual nominated in writing by the Warrant Agent shall be chairman of the meeting and if no individual is so nominated, or if the individual so nominated is not present within 15 minutes from the time fixed for the holding of the meeting, the Warrantholders present in person or by proxy shall choose some individual present to be chairman.

9.4 **Quorum.** Subject to the provisions of Section 9.1, at any meeting of the Warrantholders, a quorum shall consist of Warrantholders present in person or by proxy and entitled to purchase at least 25% of the aggregate number of Common Shares which could be purchased pursuant to all the then outstanding Series I Warrants, provided that at least two persons entitled to vote thereat are personally present. If a quorum of the Warrantholders is not present within one half-hour from the time fixed for holding any meeting, the meeting, if summoned by the Warrantholders or on a Warrantholders' Request, shall be dissolved; but, in any other case, the meeting shall be adjourned to the same day in the next week (unless such day is a non-business day, in which case it shall be adjourned to the next following business day) at the same time and place and no notice need be given. At the adjourned meeting, the Warrantholders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened, notwithstanding that they may not be entitled to purchase at least 25% of the aggregate number of Common Shares which may be purchased pursuant to all then outstanding Series I Warrants.

9.5 **Power to Adjourn.** The chairman of any meeting at which a quorum of the Warrantholders is present may, with the consent of the meeting, adjourn any such meeting, and no notice of such adjournment need be given except such notice, if any, as the meeting may prescribe.

9.6 **Show of Hands.** Every question submitted to a meeting shall be decided in the first place by a majority of the votes given on a show of hands except that votes on an Extraordinary Resolution shall be given in the manner hereinafter provided. At any such meeting, unless a poll is duly demanded as herein provided, a declaration by the chairman that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of that fact. Any Warrantholder may demand a poll at any meeting.

9.7 **Poll and Voting.** On a show of hands, every person who is present and entitled to vote, whether as a Warrantholder or as proxy for one or more absent Warrantholders, or both, shall have one vote. On a poll, each Warrantholder present in person or represented by a proxy duly appointed by instrument in writing shall be entitled to one vote in respect of each whole Common Share which he is entitled to purchase pursuant to the Series I Warrant or Series I Warrants then held by him. A proxy need not be a Warrantholder. The chairman of any meeting shall be entitled, both on a show of hands and on a poll, to vote in respect of the Series I Warrants, if any, held or represented by him.

9.8 **Regulations.** The Warrant Agent or the Corporation, with the approval of the Warrant Agent, may from time to time make and from time to time vary such regulations as it shall think fit for:

(a) the issue of instruments appointing proxies to represent Warrantholders at any meeting or Warrantholders;

(b) the deposit of instruments appointing proxies at such place and time as the Warrant Agent, the Corporation or the Warrantholders convening the meeting, as the case may be, may in the notice convening the meeting direct;

(c) the deposit of instruments appointing proxies at some approved place or places other than the place at which the meeting is to be held and enabling particulars of such instruments appointing proxies to be mailed, cabled or telegraphed before the meeting to the Corporation or to the Warrant Agent at the place where the same is to be held and for the voting of proxies so deposited as though the instruments themselves were produced at the meeting; and

(d) the form of the instrument of proxy.

Any regulations so made shall be binding and effective and the votes given in accordance therewith shall be valid and shall be counted. Save as such regulations may provide, the only person who shall be recognized at any meeting as a Warrantholder, or be entitled to vote or be present at the meeting in respect thereof (subject to Section 9.9), shall be a Warrantholder or his counsel, or proxies of Warrantholders.

9.9 **Corporation and Warrant Agent may be Represented.** The Corporation and the Warrant Agent, by their respective directors and officers (and, in the case of the Warrant Agent, employees), and counsel for the Corporation and for the Warrant Agent may attend any meeting of the Warrantholders, but shall have no vote as such.

9.10 **Powers Exercisable by Extraordinary Resolution.** In addition to all other powers conferred upon them by any other provisions of this Indenture or by law, the Warrantholders at a meeting shall have the power, exercisable from time to time by Extraordinary Resolution:

(a) to agree to any modification, abrogation, alteration, compromise or arrangement of the rights of Warrantholders or the Warrant Agent in its capacity as Warrant Agent hereunder or on behalf of the Warrantholders against the Corporation whether such rights arise under this Indenture or the Series I Warrant Certificates or otherwise;

(b) to direct or authorize the Warrant Agent to enforce any of the covenants on the part of the Corporation contained in this Indenture or the Series I Warrant Certificates or to enforce any of the rights of the Warrantholders in any manner specified in such Extraordinary Resolution or to refrain from enforcing any such covenant or right;

(c) to waive, and direct the Warrant Agent to waive, any default on the part of the Corporation in complying with any provisions of this Indenture either unconditionally or upon any conditions specified in such Extraordinary Resolution;

(d) to restrain any Warrantholder from taking or instituting any suit, action or proceeding against the Corporation for the enforcement of any of the covenants on the part of the Corporation contained in this Indenture or the Series I Warrant Certificates or to enforce any of the rights of the Warrantholders;

(e) to direct any Warrantholder who, as such, has brought any suit, action or proceeding to stay or discontinue or otherwise deal with the same upon payment of the costs, charges and expenses reasonably and properly incurred by such Warrantholder in connection therewith;

(f) to assent or consent to any change in or omission from the provisions contained in the Purchase Warrant Certificates or any ancillary or supplemental instrument which may be agreed to by the Company; and

(g) to assent or consent to any compromise or arrangement with any creditor or creditors or any class or classes of creditors, whether secured or otherwise, and with holders of any shares or other securities of the Company.

9.11 Meaning of Extraordinary Resolution

(1) The expression **"Extraordinary Resolution"** when used in this Indenture means, subject as hereinafter in this Section and in Sections 9.14 and 9.15 provided, a resolution proposed at a meeting of Warrantholders duly convened for that purpose and held in accordance with the provisions of this Article 9 at which there are present in person or by proxy Warrantholders entitled to purchase at least 25% of the aggregate number of Common Shares which may be purchased pursuant to all the then outstanding Series I Warrants and passed by the affirmative vote of Warrantholders entitled to purchase not less than 75% of the aggregate number of Common Shares which may be purchased pursuant to all the then outstanding Series I Warrants represented at the meeting and voted on the poll upon such resolution.

(2) If, at any meeting called for the purpose of passing an Extraordinary Resolution, Warrantholders entitled to purchase at least 25% of the aggregate number of Common Shares which may be purchased pursuant to all the then outstanding Series I Warrants are not present in person or by proxy within one half-hour after the time appointed for the meeting, then the meeting, if convened by Warrantholders or on a Warrantholders' Request, shall be dissolved; but, in any other case, it shall stand adjourned to such day, being not less than 15 or more than 60 days later, and to such place and time as may be appointed by the chairman. Not less than 10 days' prior notice shall be given of the time and place of such adjourned meeting in the manner provided in Article 3. Such notice shall state that, at the adjourned meeting, the Warrantholders present in person or by proxy shall form a quorum but it shall not be necessary to set forth the purposes for which the meeting was originally called or any other particulars. At the adjourned meeting, the Warrantholders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened and a resolution proposed at such adjourned meeting and passed by the requisite vote as provided in Section 9.11(1) shall be an Extraordinary Resolution within the meaning of this Indenture notwithstanding that Warrantholders entitled to purchase at least 51% of the aggregate number of Common Shares which may be purchased pursuant to all the then outstanding Series I Warrants are not present in person or by proxy at such adjourned meeting.

9.12 **Powers Cumulative.** It is hereby declared and agreed that any one or more of the powers or any combination of the powers in this Indenture stated to be exercisable by the Warrantholders by Extraordinary Resolution or otherwise may be exercised from time to time and the exercise of any one or more of such powers or any combination of powers from time to time shall not be deemed to exhaust the right of the Warrantholders to exercise such power or powers or combination of powers then or thereafter from time to time.

9.13 **Minutes.** Minutes of all resolutions and proceedings at every meeting of Warrantholders shall be made and duly entered in books to be from time to time provided for that purpose by the Warrant Agent at the expense of the Corporation, and any such minutes as aforesaid, if signed by the chairman of the meeting at which such resolutions were passed or proceedings had, or by the chairman of the next succeeding meeting of the Warrantholders, shall be *prima facie* evidence of the matters therein stated and, until the contrary is proved, every such meeting in respect of the proceedings of which minutes shall have been made shall be deemed to have been duly convened and held, and all resolutions passed thereat or proceedings taken shall be deemed to have been duly passed and taken.

9.14 **Instruments in Writing.** All actions which may be taken and all powers that may be exercised by the Warrantholders at a meeting held as provided in this Article may also be taken and exercised by Warrantholders entitled to purchase at least 75% of the aggregate number of Common Shares which may be purchased pursuant to all the then outstanding Series I Warrant Certificates by an instrument in writing signed in one or more counterparts by such Warrantholders in person or by attorney duly appointed in writing, and the expression **"Extraordinary Resolution"** when used in this Indenture shall include an instrument so signed.

9.15 **Binding Effect of Resolutions.** Every resolution and every Extraordinary Resolution passed in accordance with the provisions of this Article 9 at a meeting of Warrantholders shall be binding upon all the Warrantholders, whether present at or absent from such meeting, and every instrument in writing signed by Warrantholders in accordance with Section 9.14 shall be binding upon all the Warrantholders, whether signatories thereto or not, and each and every Warrantholder and the Warrant Agent (subject to the provisions for indemnity herein contained) shall be bound to give effect accordingly to every such resolution and instrument in writing.

9.16 **Holdings By Corporation and Subsidiaries to be Disregarded.** In determining whether Warrantholders holding Series I Warrant Certificates evidencing the required number of Common Shares are present at a meeting of Warrantholders for the purpose of determining a quorum or have concurred in any consent, waiver, Extraordinary Resolution, Warrantholders' Request or other action under this Indenture, Series I Warrant Certificates owned by the Corporation or any subsidiary of the Corporation shall be disregarded.

ARTICLE 10
SUPPLEMENTAL INDENTURES

10.1 **Provision for Supplemental Indentures for Certain Purposes.** From time to time, the Corporation (when authorized by action by the Directors) and the Warrant Agent may, subject to the provisions of these presents, and they shall, when so directed by these presents, execute and deliver by their proper officers, indentures or instruments supplemental hereto, which thereafter shall form part hereof, for any one or more or all of the following purposes:

(a) setting forth adjustments in the application of the provisions of Article 6;

(b) adding to the provisions hereof such additional covenants and enforcement provisions as, in the opinion of counsel, are necessary or advisable in the premises, provided that the same are not in the opinion of the Warrant Agent prejudicial to the interests of the Warrantholders;

(c) giving effect to any Extraordinary Resolution passed as provided in Article 9;

(d) making such provisions not inconsistent with this Indenture as may be necessary or desirable with respect to matters or questions arising hereunder or for the purpose of obtaining a listing or quotation of the Series I Warrants on any stock exchange, provided that such provisions are not, in the opinion of the Warrant Agent, prejudicial to the interests of the Warrantholders;

(e) adding to or altering the provisions hereof in respect of the provisions for the exchange of Series I Warrant Certificates, and making any modification in the form of the Series I Warrant Certificates which does not affect the substance thereof;

(f) modifying any of the provisions of this Indenture or relieving the Corporation from any of the obligations, conditions or restrictions herein contained, provided that no such modification or relief shall be or become operative or effective if, in the opinion of the Warrant Agent, such modification or relief impairs any of the rights of the Warrantholders or of the Warrant Agent, and provided further, that the Warrant Agent may in its sole discretion decline to enter into any such supplemental indenture which in its opinion may not afford adequate protection to the Warrant Agent when the same shall become operative; and

(g) for any other purpose not inconsistent with the terms of this Indenture, including the correction or rectification of any ambiguities, defective or inconsistent provisions, errors, mistakes or omissions herein, provided that, in the opinion of the Warrant Agent, the rights of the Warrant Agent and of the Warrantholders are in no way prejudiced thereby.

10.2 Successor Corporation. In the case of the consolidation, amalgamation, merger or transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another corporation ("successor corporation"), the successor corporation resulting from such consolidation, amalgamation, merger or transfer (if not the Corporation) shall expressly assume, by supplemental indenture satisfactory in form to the Warrant Agent and executed and delivered to the Warrant Agent, the due and punctual performance and observance of each and every covenant and condition of this Indenture to be performed and observed by the Corporation.

ARTICLE 11
CONCERNING THE WARRANT AGENT

11.1 Indenture Legislation

(1) In this Article 11, the term "Applicable Legislation" means the provisions, if any, of the *Business Corporations Act* (Ontario) and any statute of the Province of Ontario or of Canada or of a province thereof, and of regulations under any such named or other statute, relating to indentures, or to the rights, duties and obligations of warrant agents and of corporations under indentures, to the extent that such provisions are at the time in force and applicable to this Indenture.

(2) If and to the extent that any provision of this Indenture limits, qualifies or conflicts with a mandatory requirement of Applicable Legislation, such mandatory requirement shall prevail.

(3) The Corporation and the Warrant Agent agree that each will at all times in relation to this Indenture and any action to be taken hereunder observe and comply with and be entitled to the benefits of Applicable Legislation.

11.2 Rights and Duties of the Warrant Agent

(1) In the exercise of the rights and duties prescribed or conferred by the terms of this Indenture, the Warrant Agent shall exercise that degree of care, diligence and skill that a reasonably prudent warrant agent would exercise in comparable circumstances. No provision of this Indenture shall be construed to relieve the Warrant Agent from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct or bad faith.

(2) Subject to Subsection 11.2(1), the obligation of the Warrant Agent to commence or continue any act, action or proceeding for the purpose of enforcing any rights of the Warrant Agent or the Warrantholders hereunder shall be conditional upon the Warrantholders furnishing, when required by notice by the Warrant Agent, sufficient funds to commence or continue such act, action or proceeding and indemnity reasonably satisfactory to the Warrant Agent to protect and hold harmless the Warrant Agent against the costs, charges and expenses and liabilities to be incurred thereby and any loss and damage it may suffer by reason thereof. None of the provisions contained in this Indenture shall require the Warrant Agent to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers unless indemnified as aforesaid.

(3) The Warrant Agent may, before commencing or at any time during the continuance of any such act, action or proceeding, require the Warrantholders, at whose instance it is acting, to deposit with the Warrant Agent the Series I Warrant Certificates held by them, for which Series I Warrant Certificates the Warrant Agent shall issue receipts.

(4) Every provision of this Indenture that by its terms relieves the Warrant Agent of liability or entitles it to rely upon any evidence submitted to it is subject to the provisions of Applicable Legislation, of this Section and of Section 11.3.

11.3 Evidence, Experts and Advisers

(1) In addition to the reports, certificates, opinions and other evidence required by this Indenture, the Corporation shall furnish to the Warrant Agent such additional evidence of compliance with any provision hereof, and in such form as may be prescribed by Applicable Legislation or as the Warrant Agent may reasonably require by written notice to the Corporation.

(2) The Warrant Agent shall be protected in acting and relying reasonably upon any written notice, direction, instruction, order, certificate, confirmation, request, waiver, consent, receipt, statutory declaration or other paper or document (collectively referred to as "Documents") furnished to it and signed by any person required to or entitled to execute and deliver to the Warrant Agent any such Documents in connection with this Agreement, not only as to its due execution and the validity and effectiveness of its provisions, but also as to the truth and accuracy of any information therein contained, which it in good faith believes to be genuine.

(3) Whenever Applicable Legislation requires that evidence referred to in Subsection 11.3(1) be in the form of a statutory declaration, the Warrant Agent may accept such statutory declaration in lieu of a certificate of the Corporation required by any provision hereof. Any such statutory declaration may be made by one or more of the Chairman of the Board and Chief Executive Officer, President and Chief Operating Officer, Executive Vice-President, Vice-President, Secretary, Controller, Treasurer, or any Assistant-Secretary or Assistant-Treasurer of the Corporation.

(4) Proof of the execution of an instrument in writing, including a Warrantholders' Request, by any Warrantholder may be made by the certificate of a notary, solicitor or commissioner for oaths, or other officer with similar powers, that the person signing such instrument acknowledged to him the execution thereof, or by an affidavit of a witness to such execution or in any other manner which the Warrant Agent may consider adequate.

(5) The Warrant Agent may retain legal counsel and advisors as may be reasonably required for the purpose of discharging its duties or determining its rights under this Agreement, and may rely and act upon the advise of such counsel or advisor. The Corporation shall pay or reimburse the Warrant Agent for any reasonable fees, expenses and disbursements of such counsel or advisors.

11.4 Documents, Monies, etc. Held by Warrant Agent. Any securities, documents of title or other instruments that may at any time be held by the Warrant Agent subject to the duties and obligations hereof may be placed in the deposit vaults of the Warrant Agent or of any Canadian bank or deposited for safekeeping with any such bank. Subject to Subsection 5.1(3) hereof, any monies so held pending the application or withdrawal thereof under any provisions of this Indenture may be deposited in the name of the Warrant Agent in any Canadian bank at the rate of interest (if any) then current on similar deposits or, with the consent of the Corporation, may be (i) deposited in a segregated account of the Warrant Agent with a Canadian Schedule I Bank or any other loan or trust company authorized to accept deposits under the laws of Canada or a province thereof, or (ii) invested in securities issued or guaranteed by the Government of Canada or a province thereof or in obligations, maturing not more than one year from the date of investment, of any Canadian bank or loan or trust company. Unless the Corporation shall be in default hereunder, all interest or other income received by the Warrant Agent in respect of such deposits and investments shall belong to the Corporation.

11.5 Actions by Warrant Agent to Protect Interest. The Warrant Agent shall have power to institute and to maintain such actions and proceedings as it may consider necessary or expedient to preserve, protect or enforce its interests and the interests of the Warrantholders.

11.6 Warrant Agent not Required to Give Security. The Warrant Agent shall not be required to give any bond or security in respect of the execution of the duties, obligations and powers of this Indenture or otherwise in respect of the premises.

11.7 Protection of Warrant Agent. By way of supplemental to the provisions of any law for the time being relating to warrant agents, it is expressly declared and agreed as follows:

(a) the Warrant Agent shall not be liable for or by reason of any statements of fact or recitals in this Indenture or the Series I Warrant Certificates (except the representation contained in Section 11.9 or in the certificate of the Warrant Agent on the Series I Warrant Certificates) or be required to verify the same, but all such statements or recitals are and shall be deemed to be made by the Corporation;

(b) nothing herein contained shall impose any obligation on the Warrant Agent to see to or to require evidence of the registration or filing (or renewal thereof) of this Indenture or any instrument ancillary or supplemental hereto;

(c) the Warrant Agent shall not be bound to give notice to any person or persons of the execution hereof;

(d) the Warrant Agent shall not be bound to give any notice or do or take any act, action or proceeding by virtue of the powers conferred on it hereby unless and until it shall have been required to do so under the terms hereof; nor shall the Warrant Agent be required to take notice of any default hereunder, unless and until notified in writing of such default, which notice shall distinctly specify the default desired to be brought to the attention of the Warrant Agent, and in the absence of any such notice the Warrant Agent may for all purposes of this Indenture conclusively assume that no default has been made in the observance or performance of any of the representations, warranties, covenants, agreements or conditions contained herein. Any such notice shall in no way limit any discretion herein given to the Warrant Agent to determine whether or not the Warrant Agent shall take action with respect to any default; and

(e) the Warrant Agent shall not incur any liability or responsibility whatever or be in any way responsible for the consequence of any breach on the part of the Corporation of any of the covenants herein contained or of any acts of any directors, officers, employees, agents or servants of the Corporation.

The Corporation hereby agrees to indemnify and hold harmless the Warrant Agent and its officers, directors, employees and agents from and against any liability, loss, claim, action, demand, cost and expense, including legal fees and disbursements of whatever kind or nature, which may be asserted against the Warrant Agent or which it may suffer or incur as a result of or arising from or out of the performance of its duties and obligations under this Indenture; provided that the Corporation shall not be required to indemnify the Warrant Agent in the event that such liabilities are a result of the negligent action, the negligent failure to act or the willful misconduct of the Warrant Agent. It is understood and agreed that this provision shall survive the resignation or removal of the Warrant Agent or the termination or discharge of this Indenture.

11.8 Replacement of Warrant Agent; Successor by Merger

(1) The Warrant Agent may resign its duties and obligations and be discharged from all further duties and liabilities hereunder, subject to this Subsection, by giving to the Corporation not less than 30 days' prior notice in writing or such shorter prior notice as the Corporation may accept as sufficient. The Warrantholders by Extraordinary Resolution shall have the power at the time to remove the Warrant Agent and to appoint a new warrant agent. In the event of the Warrant Agent resigning or being removed as aforesaid or being dissolved, becoming bankrupt, going into liquidation or otherwise becoming incapable of acting hereunder (individually, a **"Removal Event"**), the Corporation shall forthwith appoint a new warrant agent unless a new warrant agent has already been appointed by the Warrantholders. Any new warrant agent appointed under any provision of this Section shall be a company authorized to carry on business of a transfer agent in the Province of Ontario and, if required by the Applicable Legislation of any other provinces, in such other provinces. On any such appointment, the new warrant agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named herein as Warrant Agent without any further assurance, conveyance, act or deed;

but there shall be immediately executed, at the expense of the Corporation, all such conveyances or other instruments as may, in the opinion of counsel, be necessary or advisable for the purpose of assuring the same to the new warrant agent, provided that any resignation or removal of the Warrant Agent and appointment of a successor warrant agent shall not become effective until the successor warrant agent shall have executed an appropriate instrument accepting such appointment and, at the request of the Corporation, the predecessor warrant agent shall execute and deliver to the successor warrant agent an appropriate instrument transferring to such successor warrant agent all rights and powers of the Warrant Agent hereunder so ceasing to act. Following the occurrence of a Removal Event, if neither the Corporation, nor the Warrantholders, nor the Warrant Agent has appointed a successor warrant agent, the Warrant Agent shall return the monies, securities, documents of title, or other instruments then subject to the trusts hereof to the Corporation to be held in trust for the Warrantholders and the duties and obligations of the Warrant Agent under this Agreement shall cease immediately.

(2) Upon the appoint of a successor warrant agent, the Corporation shall promptly notify the Warrantholders thereof in the manner provided for in Article 3 hereof.

(3) Any corporation into or with which the Warrant Agent may be merged or consolidated or amalgamated, or any corporation resulting therefrom to which the Warrant Agent shall be a party, or any corporation succeeding to the trust business of the Warrant Agent shall be the successor to the Warrant Agent hereunder without any further act on its part or any of the parties hereto, provided that such corporation would be eligible for appointment as a successor warrant agent under Subsection 11.8(1) above.

(4) Any Series I Warrant Certificate certified but not delivered by a predecessor warrant agent may be certified by the successor warrant agent in the name of the predecessor or successor warrant agent.

11.9 **<u>Conflict of Interest</u>**

(1) The Warrant Agent represents to the Corporation and the Warrantholders that, at the time of execution and delivery hereof, no material conflict of interest exists in the Warrant Agent's role as a fiduciary hereunder and agrees that, in the event of a material conflict of interest arising hereafter, it will, within 90 days after ascertaining that it has such material conflict of interest, either eliminate the same or assign its trust hereunder to a successor warrant agent approved by the Corporation and meeting the requirements set forth in Subsection 11.8(1).

(2) Subject to Subsection 11.9(1), the Warrant Agent, in its personal or any other capacity, may buy, lend upon and deal in securities of the Corporation and generally may contract and enter into financial transactions with the Corporation or any subsidiary of the Corporation without being liable to account for any profit made thereby.

11.10 **<u>Acceptance of Duties and Obligations</u>.** The Warrant Agent hereby accepts the duties and obligations in this Indenture declared and provided for and agrees to perform the same upon the terms and conditions herein set forth. The Warrant Agent shall have no duties or responsibilities except as expressly provided in this Agreement and shall have no liability or responsibility arising under any other agreement, including any agreement referred to in this Agreement, to which the Warrant Agent is not a party.

ARTICLE 12
<u>FORM OF SERIES I WARRANT CERTIFICATES</u>

12.1 The following is the form of the Series I Warrant Certificate referred in Section 2.2:

THE WARRANTS EVIDENCED HEREBY ARE EXERCISABLE ON OR BEFORE 5:00 P.M. (TORONTO TIME) ON JUNE 28, 2006, AFTER WHICH TIME THE WARRANTS EVIDENCED HEREBY SHALL BE DEEMED TO BE VOID AND OF NO FURTHER FORCE OR EFFECT.

FIRST NICKEL INC.
(Incorporated under the laws of Ontario)

No. __________ **Number of Series I Warrants: ______________**

CUSIP: 33582W 11 4
ISIN: CA 33582W1142

SERIES I SHARE PURCHASE WARRANTS

THIS IS TO CERTIFY THAT for value received ________________________________ or ____ registered assigns is entitled to purchase for each Series I Warrant represented hereby one fully paid and non-assessable common share (**"Common Share"**) in the capital of First Nickel Inc. (the **"Corporation"**) at a price per share, in lawful money of Canada, equal to $0.70 per share, subject to adjustment as hereinafter referred to, at any time up to and including 5:00 p.m. (Toronto time) on June 28, 2006, (the **"Time of Expiry"**) by surrendering of this Series I Warrant Certificate to Equity Transfer Services Inc. (the **"Warrant Agent"**) at the office of the Warrant Agent in Toronto, Ontario, together with the subscription form attached hereto duly executed and completed for the number of Common Shares which the registered holder hereof is entitled to purchase and the purchase price of such Common Shares as herein provided.

This Series I Warrant and such payment shall be deemed not to have been surrendered and made except upon personal delivery thereof or, if sent by post or other means of transmission, upon actual receipt thereof by the Warrant Agent at the office specified above.

The purchase price of Common Shares subscribed for hereunder shall be paid by certified cheque, bank draft or money order payable to the order of the Corporation or the Warrant Agent at par in the city where this Series I Warrant Certificate is delivered.

Certificates for the Common Shares subscribed for will be mailed to the persons specified in the subscription form at their respective addresses specified therein or, if so specified in such subscription form, delivered to such persons at the office where the applicable Series I Warrant was surrendered, when the transfer registers of the Corporation have been open for five business days after the due surrender of such Series I Warrant and payment as aforesaid. In the event of a purchase of a number of Common Shares fewer than the number which can be purchased pursuant to this Series I Warrant Certificate, the registered holder shall be entitled to receive without charge a new Series I Warrant Certificate in respect of the balance of such shares.

This Series I Warrant Certificate and other Series I Warrant Certificates are issued under and pursuant to a certain warrant indenture (herein referred to as the **"Indenture"**) dated as of June 28, 2004 between the Corporation and the Warrant Agent, to which Indenture and any instruments supplemental thereto reference is hereby made for a description of the terms and conditions upon which such Series I Warrant Certificates are issued and are to be held all to the same effect as if the provisions of the Indenture and all instruments supplemental thereto were herein set forth, to all of which provisions the holder of this Series I Warrant Certificate by acceptance hereof assents. The Corporation will furnish to the holder of this Series I Warrant Certificate, upon request and without charge, a copy of the Indenture.

Upon presentation at the office of the Warrant Agent in Toronto, Ontario, subject to the provisions of the Indenture and upon compliance with the reasonable requirements of the Warrant Agent, Series I Warrants may be exchanged for Series I Warrants entitling the holder thereof to purchase an equal aggregate number of Common Shares. The holding of this Series I Warrant Certificate shall not constitute the registered holder hereof a holder of Common Shares nor entitle him to any right of interest in respect thereof.

The Indenture provides for adjustments to the Exercise Price and the rights of subscription or purchase, including the amount of and class and kind of securities or other property purchasable upon exercise, upon the happening of certain stated events, including the subdivision or consolidation of the Common Shares, certain distributions of Common Shares or securities convertible into Common Shares or of other assets or property of the Corporation, certain offerings of rights, warrants or options, and certain capital reorganizations.

The Indenture contains provisions making binding upon all holders of Series I Warrant Certificates outstanding thereunder resolutions passed at meetings of such holders held in accordance with such provisions by the Warrantholders entitled to purchase a specified majority of the Common Shares which may be purchased pursuant to all then outstanding Series I Warrants.

Subject to any restriction under applicable law or policy of any applicable regulatory body, the Series I Warrants and Series I Warrant Certificates and the rights thereunder are transferrable by the registered holder hereof, upon completion of the Transfer Form on the reverse side hereof and compliance with the conditions prescribed in the Indenture, without the consent of the Corporation.

The holding of this Series I Warrant Certificate shall not constitute the holder hereof a shareholder of the Corporation or entitle such holder to any right or interest in respect hereof except as herein and in the Indenture expressly provided.

This Series I Warrant Certificate shall not be valid for any purpose whatever unless and until it has been countersigned by the Warrant Agent for the time being under the Indenture.

After the Time of Expiry this Series I Warrant Certificate and all rights thereunder shall be void and of no value.

Time is of the essence hereof.

IN WITNESS WHEREOF this Series I Warrant Certificate has been executed on behalf of First Nickel Inc. as of the 28th day of June, 2004.

FIRST NICKEL INC.

By: ______________________________
Authorized Officer

Countersigned:

EQUITY TRANSFER SERVICES INC.

By: ______________________________
Authorized Officer

12.2 **Series I Warrant Subscription Form.** The following is the form of subscription for the Series I Warrants:

TO: **FIRST NICKEL INC.**

AND TO: **EQUITY TRANSFER SERVICES INC.**

The undersigned registered holder of the within Series I Warrant Certificate, subject to that certain warrant indenture (the **"Indenture"**) dated as of June 28, 2004 between First Nickel Inc. and Equity Transfer Services Inc., as Warrant Agent, hereby:

(a) subscribes for _____________ common shares ("Common Shares") (or such number of Common Shares or other securities or property to which such subscription entitles the undersigned in lieu thereof or in addition thereto under the Indenture) of First Nickel Inc. at the price per share in Canadian funds equal to $0.70 if exercised on or before June 28, 2006 (or such adjusted price which may be in effect under the provisions of the Indenture) and in payment of the exercise price encloses a certified cheque, a bank draft or a money order payable to the order of First Nickel Inc.; and

(b) delivers herewith the above-mentioned Series I Warrant Certificate entitling the undersigned to subscribe for the above-mentioned number of Common Shares.

The undersigned hereby directs that the said Common Shares be registered as follows:

Name(s) in Full	Address(es) (including Postal Code)	Number(s) of Common Shares

DATED this ____ day of ___________________, _____.

____
Signature of Subscriber

____
(Print Name of Subscriber)

____
Address of Subscriber in Full

The certificates will be mailed by registered mail to the address appearing in this Subscription Form.

12.3 **Transfer Form.** The following is the form of transfer:

TRANSFER FORM

FOR VALUE RECEIVED, the undersigned hereby sells, transfers and assigns to ____________________

____________________________, ___________ Series I Warrants represented by this Series I Warrant Certificate and

does hereby irrevocably appoint ____ as its attorney to transfer the said Series I Warrants on the appropriate register of the Warrant Agent with full power of substitution in the premises.

DATED this ____ day of ____________________, _____.

____
Signature of Registered Holder

____
Name of Registered Holder

____
Signature Guaranteed by:

Notice: ***The signature to this Transfer Form must correspond in every particular with the surname and the first name(s) or initials shown on the face of this certificate and the endorsement must be signature guaranteed, in either case, by a Canadian chartered bank, or a member of a recognized Securities Transfer Agents Medallion Program (stamp). The stamp affixed thereon by the guarantor must bear the actual words "Signature Guarantee", or "Signature Medallion Guaranteed" or in accordance with industry standards.***

ARTICLE 13
GENERAL

13.1 Notice to the Corporation and the Warrant Agent

(1) Unless herein otherwise expressly provided, any notice to be given hereunder to the Corporation, the Warrant Agent shall be deemed to be validly given if delivered or if sent by registered letter, postage prepaid:

if to the Corporation, at:

First Nickel Inc.
21 Nesbitt Drive
Toronto, Ontario M4W 2G2

Attention: Elizabeth J. Kirkwood, President
Facsimile No.: (416) 364-0618

if to the Warrant Agent, at:

Equity Transfer Services Inc.
120 Adelaide Street West
Suite 420
Toronto, Ontario M5H 4C3

Attention: Richard M. Barnowski, Vice-President
Facsimile No.: (416) 361-0470

and any such notice delivered in accordance with the foregoing shall be deemed to have been received on the date of delivery or, if mailed, on the second business day following the date of the postmark on such service.

(2) The Corporation or the Warrant Agent, as the case may be, may from time to time notify each other in the manner provided in Subsection 13.1(1) of a change of address which, from the effective date of such notice and until changed by like notice, shall be the address of the Corporation or the Warrant Agent, as the case may be, for all purposes of this Indenture.

(3) If, by reason of a strike, lock-out or other work stoppage, actual or threatened, involving postal employees, any notice to be given to the Corporation or the Warrant Agent hereunder could reasonably be considered unlikely to reach its destination, such notice shall be valid and effective only if it is delivered to an officer of the party to which it is addressed or if it is delivered to such party at the approximate address provided in Subsection 13.1(1) by cable, telegram, telex or other means of prepaid, transmitted, recorded communication and immediately followed by a letter confirming such communication.

13.2 Time of the Essence. Time shall be of the essence in this Indenture.

13.3 Counterparts. This Indenture may be executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument and notwithstanding their date of execution shall be deemed to be dated as of June 28, 2004.

13.4 Satisfaction and Discharge of Indenture. Upon the earlier of (a) the date by which there shall have been delivered to the Warrant Agent for exercise or destruction all Series I Warrant Certificates theretofore certified hereunder or (b) the Time of Expiry, this Indenture shall cease to be of further effect and the Warrant Agent, on demand of and at the cost and expense of the Corporation and upon delivery to the Warrant Agent of a certificate of any of the Chairman of the Board, the President or a Vice-President and Secretary of the Corporation stating that all conditions precedent to the satisfaction and discharge of this Indenture have been complied with, shall execute proper instruments acknowledging satisfaction of and discharging this Indenture.

13.5 **Provisions of Indenture and Series I Warrant Certificate for the Sole Benefit of Parties and Warrantholders.** Nothing in this Indenture, the Series I Warrant Certificates, express or implied, shall give or be construed to give to any person other than the parties hereto and the holders of Series I Warrant Certificates, any legal or equitable right, remedy or claim under this Indenture, or under any covenant or provision therein contained, all such covenants and provisions being for the sole benefit of the parties hereto and the Warrantholders.

13.6 **Language.** The parties hereto have declared that they have required that these presents and all other documents related hereto be in the English language.

Les parties aux présentes déclarent qu'elles ont exigé que la présente convention, de même que tous les documents s'y rapportant, soient rédigés en anglais.

AND the parties hereto have executed this Indenture as of the day and year first above written.

FIRST NICKEL INC.

By: ______________________

EQUITY TRANSFER SERVICES INC.

By: ______________________