FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1. Name and Address of Company

First Nickel Inc. ("**FNI**")
120 Front St. East, Suite 206
Toronto, Ontario
M5A 4L9

Item 2. Date of Material Change

September 6, 2005

Item 3. Press Release

Press release issued by FNI on September 6, 2005 via a Canadian news wire service.

Item 4. Summary of Material Change

FNI announced that it has entered into definitive option agreements with Falconbridge Limited ("**Falconbridge**") with respect to each of the Bowell and Foy Mouth exploration properties, located on the North Range of the Sudbury Basin.

Item 5. Full Description of Material Change

The terms upon which Falconbridge was prepared to grant to FNI a separate and distinct option to acquire an interest in each of the Bowell Property (the "**Bowell Option**"), the Foy Mouth Property (the "**Foy Mouth Option**"), and the Morgan-Lumsden Property (the "**Morgan-Lumsden Option**"), were previously announced by FNI in its press release dated March 22, 2005. The grant of each such option was subject to, among other things, the negotiation of three (3) independent definitive agreements setting out the terms of the options. FNI has now entered into a definitive agreement with Falconbridge in respect of each the Bowell Property (the "**Bowell Option Agreement**") and the Foy Mouth Property (the "**Foy Mouth Option Agreement**"). Negotiation of a definitive option agreement in respect of the Morgan-Lumsden Option remains ongoing. The Bowell Option Agreement and the Foy Mouth Option Agreement were each signed on September 6, 2005 with an effective date of August 2, 2005.

SUMMARY OF TERMS OF BOWELL OPTION AGREEMENT

Pursuant to the terms of the Bowell Option Agreement, FNI has the right to earn from Falconbridge a 100% interest in the Bowell Property by:

1. incurring $1.5 million in exploration expenditures and completing various studies relating to the property (including metallurgical, engineering and environmental studies), all within twelve (12) months following the effective date of the Bowell Option Agreement;

2. delivery to Falconbridge of a feasibility study in respect of the Bowell Property within twelve (12) months following the effective date of the Bowell Option Agreement; and

3. making a one-time payment of $2.0 million to Falconbridge and bringing the Bowell Property into commercial production, all within twenty four (24) months following the effective date of the Bowell Option Agreement.

Under the terms of the Bowell Option Agreement, FNI's only firm commitment is to incur no less than $1.5 million on exploration, surveys and studies within twelve (12) months of the effective date of the Bowell Option Agreement (see item 1 above). The completion and delivery of a feasibility study, the one-time payment of $2.0 million and the commencement of commercial mining production within twenty four (24) months of the effective date of the Bowell Option Agreement (see items 2 and 3 above) are optional and will remain at the sole discretion of FNI, pending the decision to exercise the Bowell Option. FNI's decision to exercise the Bowell Option will be made following a detailed analysis of the exploration and survey results arising from the expenditure of the $1.5 million firm commitment. Prior to the expiration, termination or exercise of the Bowell Option, FNI will be responsible for all applicable taxes, assessments and other similar charges levied or assessed against the Bowell Property.

Should FNI exercise the Bowell Option and become the 100% owner of the Bowell Property, Falconbridge will retain the right, on an annual basis, to purchase up to 100% of the ore produced from the property. Falconbridge will also be entitled to a 1.5% net smelter return royalty (NSR) derived from mining operations conducted by FNI on the Bowell Property. Prior to commencement of mining operations on the Bowell Property, FNI will obtain an exemption pursuant to Section 91(3) of the *Mining Act* (Ontario) relating to the ore raised or removed from the Bowell Property, and file with the Ministry of Northern Development and Mines a mine closure plan together with any required financial assurance related thereto.

SUMMARY OF TERMS OF FOY MOUTH OPTION AGREEMENT

Pursuant to the terms of the Foy Mouth Option Agreement, FNI has the right to earn from Falconbridge a 50% interest in the Foy Mouth Property by:

1. funding $3.0 million in exploration expenditures on or before December 31, 2005 and a further $4.0 million on or before December 31, 2006, for a total funding commitment of $7.0 million on or before December 31, 2006;

2. funding a minimum of an additional $2.0 million in exploration expenditures in each of the three (3) calendar years following December 31, 2006, pending:

   (a) delivery to Falconbridge of a feasibility study in respect a deposit of not less than fifty (50) million pounds of nickel or nickel equivalent metal; and

   (b) making a one-time payment of $2 million to Falconbridge.

Under the terms of the Foy Mouth Option Agreement, the FNI's only firm commitment is to fund no less than $3.0 million in exploration expenditures on or before December 31, 2005 and a further $4.0 million in exploration expenditures on or before December 31, 2006 (the "**Foy Mouth Firm Commitments**"). The funding of an additional $2.0 million in exploration expenditures per year during calendar-year 2007, 2008 and 2009, the completion and delivery of a feasibility study and the one-time payment of $2.0 million (see items 2(a) and 2(b), above) are optional and will remain at the sole discretion of FNI, pending the decision to exercise the Foy Mouth Option. FNI's decision to exercise the Foy Mouth Option will be made following a detailed analysis of the exploration results arising from the expenditure of the $7.0 million in Foy Mouth Firm Commitments.

For greater certainty, the funding of an additional $2.0 million in exploration expenditures per year on the Foy Mouth Property during 2007, 2008 and 2009 (see item 2, above) will only be required should FNI wish to maintain the Foy Mouth Option in good standing while continuing to prospect for a deposit of sufficient size to enable the completion of the feasibility study mentioned in item 2(a). Upon completion and delivery of the feasibility study and the one-time payment of $2.0 million to Falconbridge (see item 2(b), above), the requirement of such additional $2.0 million in annual funding of exploration expenditures will cease.

Falconbridge will be the operator of exploration programs at the Foy Mouth Property. A drill program of approximately 15,000 m is slated to commence shortly on the property.

If, at any time prior to the expiration, termination or exercise of the Foy Mouth Option, FNI elects to develop a deposit on the Foy Mouth Property containing more than ten (10) million but less than fifty (50) million pounds of nickel or nickel equivalent metal, then an area specific to such deposit (a "**Carve-Out Area**") may be "carved-out" from the property (the size and shape of the Carve-Out Area to be agreed to by the representatives of FNI and Falconbridge), and FNI shall have the sole, exclusive and irrevocable option (the "**Carve-Out Option**") to earn the 100% interest in such Carve-Out Area. In order to exercise its Carve-Out Option, FNI must, among other things: (i) fund and incur all expenditures on the Carve-Out Area (which expenditures will not be taken into account in calculating FNI's Foy Mouth Firm Commitments, (ii) become the operator of all programs in the Carve-Out Area, (iii) deliver to Falconbridge a feasibility study and bring the Carve-Out Area into commercial production within twenty four (24) months from the date the Carve-Out Area is agreed upon.

Description of Proposed Foy Mouth Joint Venture Terms

In the event that the Foy Mouth Option is exercised, FNI and Falconbridge will automatically be deemed to have formed a joint venture (the "**Foy Mouth Joint Venture**") for the purposes of conducting further exploration activities (if required) and bringing the property into commercial mining production. Falconbridge will have the right to be the initial operator of the mining operations on the Foy Mouth Property. Initially, FNI and Falconbridge will each be deemed to hold a 50% interest in the Foy Mouth Joint Venture, with such interests to be recalculated as needed from time to time on the basis of each respective party's actual *pro rata* contribution to the total agreed upon expenditures on the Foy Mouth Property.

In the event that a feasibility study completed in respect of the Foy Mouth Property defines a deposit with proven and probable reserves plus measured and indicated mineral resources greater than 150,000,000 pounds of nickel or nickel equivalent metal, Falconbridge will have the option (the "**Bump-Up Option**") to increase its interest in the Foy Mouth Joint Venture from 50% to 70%, exercisable by funding the implementation of the feasibility study until such funding equals 150% of FNI's total expenditures under the Foy Mouth Option Agreement and the Foy Mouth Joint Venture. Falconbridge's implementation of the feasibility study must occur within three (3) years of the exercise of the Bump-Up Option, failing which such option shall terminate and be of no further force or effect and the Foy Mouth Joint Venture interests of the FNI and Falconbridge will be deemed to be and have always remained equal.

Should either FNI's or Falconbridge's interest in the Foy Mouth Joint Venture be reduced to 15% or less, then such interest will be automatically extinguished and converted to a 1.5% NSR, and the Foy Mouth Joint Venture shall be terminated, with the surviving party becoming the sole owner of the of the 100% interest in the Foy Mouth Property.

Falconbridge shall retain the right to purchase all or part of the concentrates or other such mineral products produced from the Foy Mouth Property on terms acceptable to FNI and Falconbridge acting in good faith and with due regard to competitive market rates. Should Falconbridge not purchase all or part of the concentrate, it shall have the right to market and sell all concentrates and mineral products produced from the Foy Mouth Property on terms acceptable to FNI and Falconbridge acting in good faith and with due regard to competitive market rates, minus a marketing fee payable to Falconbridge equal to 0.5% of payable metals, to be paid from the actual proceeds of sale.

DISINTERESTED SHAREHOLDER CONSENT

As Falconbridge is a "related party" of FNI under Toronto Stock Exchange rules, FNI has obtained the written consent of a majority of its common shareholders, excluding Falconbridge, to the terms of the Bowell, Foy Mouth and Morgan-Lumsden Options. Such disinterested shareholders further authorized FNI to enter into three separate definitive agreements with Falconbridge in respect of such options. The details of the consent provided by the disinterested shareholders were announced by FNI in its press release dated August 15, 2005.

Item 6. Reliance on Section 75(3) of the Act

Not Applicable.

Item 7. Omitted Information

No information has been omitted from this Material Change Report.

Item 8. Senior Officer

The following senior officer of FNI is knowledgeable about the material change and the Report and may be contacted by the Commission as follows:

Elizabeth J. Kirkwood, President and Chief Executive Officer

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Facsimile: 416 362-9050
Internet: www.firstnickel.com

DATED the 16th day of September, 2005.

FIRST NICKEL INC.

Per: **"Elizabeth J. Kirkwood"**
Elizabeth J. Kirkwood
President and Chief Executive Officer