FIRST NICKEL INC.

ANNUAL INFORMATION FORM

YEAR ENDED DECEMBER 31, 2009

MARCH 24, 2010

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Note Regarding Forward-Looking Statements

Certain statements contained in this annual information form ("**AIF**") may contain forward-looking information about First Nickel Inc. (the "Company"). Forward-looking information can often be identified by the use of forward-looking terminology such as "anticipate", "believe", "continue", "estimate", "expect", "goal", "intended", "may", "plan" or "will" or the negative thereof or variations thereon or similar terminology.

Forward-looking information contained in this AIF includes, but is not limited to:

- resumption of operations at Lockerby Mine
- expectations of obtaining financing in the near term
- continuation of exploration activities
- reserve and resource estimates

Forward-looking information is subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results. Factors that could cause results to differ materially from any forward-looking information include, but are not limited to:

- the Company is unable to secure a financing
- metal prices remain weak for a longer period than anticipated
- employment issues, including a failure to achieve new collective agreements with the Company's unions
- inherent risks associated with deep underground mining operations
- loss of key personnel
- cost overruns, availability of materials and equipment, timeliness of governmental approvals, political risk and related economic risk, actual performance of plant, equipment, and processes relative to specifications and expectations and unanticipated environmental impacts on operations.

The Company has made several assumptions that it believes appropriate, and these include but are not limited to:

- the suspension of operations at Lockerby Mine is temporary and the mine will eventually re-open
- the feasibility study capital and operating estimates will be achieved if development is undertaken

- metal markets will remain at levels assumed in the feasibility
- the mill head grades will be met if the mine re-starts
- the Company will be able to secure financing on reasonable terms for the capital plan at Lockerby

Accordingly, actual events may differ materially from those implied by any forward-looking information. Readers are cautioned not to place undue reliance on forward-looking information, which speak only as of the date the statements were made, and readers are also advised to consider such forward-looking information while considering the risk factors set forth herein under the heading "Risk Factors". The Company is under no obligation to publicly update or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

Reporting Currency

All references to "dollars" and "$" herein are expressed in Canadian currency unless specifically stated otherwise.

Glossary of Technical Terms and Abbreviations

Ag	means silver.
assay	means an analysis to determine the presence, absence, and quantity of one or more metallic components.
Au	means gold.
belt	means a specific elongate area defined by unique geologic characteristics.
breccia	means a rock composed of angular fragments within a finer-grained matrix.
calcite	means a common rock forming mineral, $CaCO_3$, being the principal constituent of limestone and commonly found as a gangue mineral in many ore deposits.
capital expenditure	means all expenditures not classified as operating costs.
chalcopyrite	means a common ore mineral of copper composed of copper, iron and sulphur.
cm	means centimetres.
Co	means cobalt.
crushing	means the initial process of reducing ore particle size to render it more amenable for further processing.
Cu	means copper.
deposit	means a mineralized body which has been physically delineated by sufficient drilling, trenching, and/or underground work, and found to contain a sufficient average grade of metal or metals to warrant further exploration and/or development expenditures; a deposit does not qualify as a commercially mineable ore body or as containing Mineral Reserves until certain legal, technical and economic factors have been resolved.
development	means the preparation of a known commercially mineable deposit for mining.
diamond drill	means a type of rotary drill in which the cutting is done by abrasion rather than by percussion. The drill cuts a core of rock which is recovered in long cylindrical sections.
dilution	means the reduction in ore grade that occurs during mining as a result of the unavoidable inclusion of waste rock together with the ore. Dilution varies with, among other things, mining method, ground conditions and style of mineralization.
dyke	means a tabular igneous intrusion, meaning it is sheet or slab-like, which cuts across or through the host rocks. Dykes vary from a

	few centimetres to many tens of metres in thickness and may extend for several kilometres.
FA	means a Fire Assay.
fault(s)	means a fracture or break, or factures or breaks in rocks with noticeable movement or displacement of the rocks on either side of the break or fracture.
feasibility study	means a study carried out, usually by an engineering company, based on scientific, engineering and economic data to determine whether a project or process is viable technically and economicallyand carried out to an estimation level of +/- 15%
felsic	means a term used to describe light-coloured rocks containing feldspar, feldspathoids and silica.
g	means grams.
gangue	means non-valuable components of ore.
geochemical	means trace quantities of elements of a certain area.
geophysical survey	means a study conducted to measure the physical characteristics of a certain area.
grade	means the measure of concentration of a metal within mineralized rock.
ha or hectare	means an area contained by a square of 100 metres.
host rock	means a body of rock in which mineralization of economic interest occurs.
igneous	means a rock formed by the cooling or solidification of molten material.
intrusions	means generally a body of igneous rock formed below the surface.
km	means kilometres.
lens	means a body of ore or rock that is thick in the middle and converges toward the edges, resembling a convex lens.
m	means metres.
mm	means millimetres.
MgO	means magnesium oxide.
Mt	means tonnes in millions.
mafic	means igneous rocks composed mostly of dark, iron and magnesium-rich minerals.
milling	means the process in which the ore is crushed and ground and subjected to physical or chemical treatment to extract the value

	metals to a concentrate or finished product.
mine	means an excavation in the earth for the purpose of extracting minerals.
mineral deposit	means an identified in-situ mineral occurrence from which valuable or useful minerals may be recovered; mineral deposit estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape and continuity of the occurrence of mineralization and on the available sampling results.
mineralization	means material containing minerals of value.
Mineral Reserve	means the part of a Mineral Resource which can be extracted legally and at a profit under economic conditions that are specified and generally accepted as reasonable by the mining industry and which is demonstrated by a preliminary feasibility study or feasibility study.
Mineral Resource	means a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated, or interpreted from specific geological evidence and knowledge.
net smelter return royalty or NSR	means a royalty due or payable by a producer of metals based on gross metal production from the property, less deduction of certain limited costs including typically smelting, refining, transportation and insurance costs.
Ni	means nickel.
ore	means a natural aggregate of one or more minerals which, at a specified time and place, may be mined and sold at a profit, or from which some part may be separated.
Pb	means lead.
pentlandite	means a common ore mineral of nickel composed of nickel, iron and sulfur.
PGEs	means platinum group elements, namely, platinum (Pt), palladium (Pd), rhodium (Rh), iridium (Ir), ruthenium (Ru) and osmium (Os).
Pre-feasibility Study	means a techno-economic evaluation of a project carried out by an engineering firm to an accuracy level of +25%/-15%, to determine whether the project merits further advancement to full feasibility.
prospect	means an area in which potential is suggested for economic

	mineralization.
Proterozoic	means a period of geological time ranging approximately 2.5 billion to 543 million years before the present.
pyrite	means a mineral, the composition of which is iron sulphide (FeS_2).
pyrrhotite	means a common sulphide mineral composed of iron and sulfur.
quartz	means a mineral, the composition of which is silicon dioxide; a crystalline form of silica, which frequently occurs in veins.
S	means sulphur.
sampling	means selecting a factional but representative part of a mineral deposit for analysis.
sedimentary	means a rock formed from cemented or compacted sediments.
sediments	means the debris resulting from the weathering and break-up of pre-existing rocks.
silicification	means the process whereby silica, either amorphous (opal, chalcedony) or crystalline (quartz) is introduced into a rock unit along a system of fractures or by permeating into porous permeable zones in the host rock. The solutions carrying silica and producing silicification often carry metallic minerals which can be precipitated along with the silica in such zones and form mineral deposits.
Stratigraphy	means strictly, the description of bedded rock sequences; used loosely, the sequence of bedded rocks in a particular area.
strike	means the direction or trend of a geological structure.
sulfide or sulphide	means a mineral compound characterized by the linking of sulphur with metal.
t/a	means tonnes per annum.
ton	means a short ton (2,000) pounds.
tonne	means a metric tonne, being 1,000 kilograms (2,204 pounds).
ultramafic	means igneous rocks composed mostly of dark, iron and magnesium-rich minerals.
vein	means a thin sheet-like intrusion into a fissure or crack, commonly bearing quartz.
volcanic	means rocks originating from volcanic activity.
Zn	means zinc.

FIRST NICKEL INC.

ANNUAL INFORMATION FORM

ITEM 1: CORPORATE STRUCTURE

1.1 Name, Address and Incorporation

First Nickel Inc. (the "**Company**") was incorporated under the laws of the Province of Ontario pursuant to the *Business Corporations Act* (Ontario) by articles of incorporation dated November 12, 2003 as 2035666 Ontario Inc. By articles of amendment certified effective February 5, 2004, the Company changed its name to its current name, First Nickel Inc. and deleted preference shares from its authorized capital. The registered and corporate head office of the Company is located at Suite 206, 120 Front Street East, Toronto, Ontario, M5A 4L9.

The common shares of the Company began trading on the Toronto Stock Exchange (the "**TSX**") under the symbol "FNI" on June 28, 2004.

1.2 Intercorporate Relationships

As of the date of this AIF, the Company has no subsidiaries.

ITEM 2: GENERAL DEVELOPMENT OF THE BUSINESS

2.1 Three Year History

Lockerby Mine Operations

The Company is a Canadian mining and exploration company, whose principal operating asset is the Lockerby Mine near Sudbury, Ontario. The mine produces nickel-copper ore which is sold to Xstrata Nickel under a life of mine offtake agreement entered into between the Company and Falconbridge Limited ("Falconbridge") (now Xstrata Nickel) (the "Xstrata Offtake Agreement"). The mine was purchased from Falconbridge in 2005, and the mine was operated by the Company from December 2005 to October 2008.

In October 2008, in response to rapidly declining metal prices operations were suspended, and the mine placed on care and maintenance.

In February 2009 the Company received an independent National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**") feasibility study on the Lockerby Depth Zone which demonstrates that the existing well-defined high grade reserve can be the basis for a financial case for development that could extend mine life for more than five years.

In addition to its Lockerby Mine operation the Company maintains an active exploration program on advanced projects at the Lockerby Mine and around Sudbury, and grassroots elsewhere in Ontario.

July 2009 Convertable Debt Facility

On July 23, 2009, the Company completed a financing with Resource Capital Fund IV L.P. ("**RCF**"), for a US$10,000,000 convertible working capital facility (the "**Facility**") maturing on December 31, 2013. The Facility bears an interest rate of 8.0% per annum, paid quarterly in cash or, at RCF's option, in common shares of the Company valued at the market price. RCF, at its discretion, has the right to convert all or any portion of the Facility, whether outstanding or previously repaid, at any time prior to the expiry date, into common shares of the Company at a conversion price of $0.11 per share and if fully converted would represent 107,054,546 common shares of the Company, not including the 2,150,000 common shares issued to RCF by the Company as an establishment fee. If all of the interest is converted to shares at $0.11 per share at the option of RCF, the Company would require the issuing of 37,825,939 common shares to RCF.

For the purpose of calculating the number of shares to be issued upon the payment of interest and the conversion of principal, RCF and the Company have fixed the C$/US$ exchange rate of 1.1776.

August 2008 Financing

On August 29, 2008, the Company completed a private placement of 15,000,000 flow-through common shares of the Company for gross proceeds of $4,500,000.

May 2008 Shareholder Rights Plan

The Company established a shareholder rights plan agreement effective May 5, 2008. The shareholder rights plan was approved by shareholders at the annual and special meeting held on June 19, 2008. The rights plan is designed to ensure that all shareholders receive equal treatment and to maximize shareholder value in the event of a takeover bid or other acquisition that could lead to the change in control of the Company. It is not intended to deter takeover proposals.

June 2007 Repayment

On June 1, 2007, the Company repaid in full the Series A Debentures issued in connection with the acquisition of the Lockerby Mine in 2005. In addition, all accrued and unpaid interest on the Series A Debentures was also paid.

May 2007 Financing

On May 4, 2007, the Company completed a private placement of 15,000,000 common shares of the Company, including the underwriters' option, at a price of $1.15 per common share for gross proceeds of $17,250,000. The underwriters were paid a cash commission of 7% ($1,207,500) of the gross proceeds.

September 2006 Financing

On September 14, 2006, the Company completed a short form prospectus offering of 28,750,000 units of the Company ("**Units**") at a price of $0.40 per Unit for gross proceeds of $11,500,000. Each Unit consists of one common share and one common share purchase warrant ("**Warrant**"), with each Warrant entitling the holder thereof to

acquire a further common share at the exercise price of $0.50 per share expiring 12 months from the completion date. The agents were paid a cash commission of 7% ($805,000) of the gross proceeds and were also granted compensation warrants exercisable at $0.40 per Unit to acquire, in the aggregate, up to that number of Units equal to 5% (1,437,500 Units) of the total number of Units sold in the offering, expiring 18 months following the completion of the offering.

2.2 Significant Acquisitions

There were no significant acquisitions in 2009.

ITEM 3: DESCRIBE THE BUSINESS

3.1 General

The Company is a Canadian mining and exploration company, whose principal operating asset is the Lockerby Mine near Sudbury, Ontario. The mine produces nickel-copper ore which . the Company is obliged to sell to Xstrata Nickel under the Xstrata Offtake Agreement for the life of the mine. The ore is crushed and then subjected to systematic sampling at the mine site prior to trucking to Xstrata's Strathcona Mill. The assays derived from the sampling become the basis for settlement after deduction of milling and treatment charges and applying recoveries. The actual payments or settlements vary from three months following shipment for copper, nickel, and cobalt, to six months for PGE metals.

In October 2008, in response to rapidly declining metal prices operations were suspended, and the mine placed on care and maintenance. Subsequent to that event the Company received an independent NI 43-101 feasibility study in February 2009 which demonstrates that the existing well-defined high grade reserve can be the basis for a strong financial case for development that will extend mine life for more than five years.

The Company's primary near-term objective is to secure financing and carry out the development necessary for its Lockerby Mine to resume operation and generate cash flow for growing its business. In addition, the Company will continue exploration both in Sudbury and on its grassroots projects elsewhere.

3.2 Risk Factors

Due to the nature of the Company's business and the present stage of its development, an investment in any of the securities of the Company is speculative and involves a high degree of risk. In addition to the matters set out elsewhere in this AIF, the following are also risks related to the Company. The risk factors outlined below are not a definitive list of all risk factors associated with an investment in the Company or in connection with the Company's operations.

History of Losses

The Company is a Canadian mining and exploration corporation with only one producing property, the Lockerby Mine property, which was in pre-production phase until January 1, 2006 and since October 19, 2008 has been placed on care and maintenance. In 2006, the first full year of operating Lockerby Mine, the Company posted a net loss of

$949,914. In 2007 the Company recorded net earnings of $814,354, which were followed in 2008 by a loss of $24,208,062, and in 2009 by a loss of $7,518,262. As discussed below the Company's profitability is very sensitive to factors beyond its control, especially metal prices and the Canadian-US dollar exchange rate. There is no assurance that any of the other properties which the Company now has or may hereafter acquire or obtain an interest in will generate earnings, operate profitably, or provide a return on investment in the future.

The financial statements for the year ended December 31, 2009 have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about the appropriateness of the use of the going concern assumption because the Company experienced significant losses and negative cash flows from operations in 2009. To maintain operations and make required future capital investments, the Company will need to obtain financing, which is not assured at this time.

The Company is currently assessing all its options with respect to the mine. Ongoing care and maintenance costs will be expensed as incurred. The Company is actively pursuing various options with potential lenders and investors which, if accepted, will, in management's view, enable the Company to achieve its business plans.

No agreements with potential lenders or investors have been reached yet and there can be no assurance that such agreements will be reached. Capital markets are presently difficult to access, but the Company has been successful in the past at obtaining sufficient funding for its capital requirements. The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on the successful completion of the actions taken or planned, some of which are described above, which management believes will mitigate the adverse conditions and events which raise significant doubt about the validity of the "going concern" assumption used in preparing these financial statements.

Mining Industry Risks

The operations of the Company are speculative due to the high risk nature of its business which involves the acquisition, exploration and development of mining properties and opportunities. Accordingly, the following risks in particular should be considered:

(a) The acquisition of, exploration for and development of mineral deposits is an extremely speculative venture involving a high degree of risk. Even a combination of careful evaluation, experience and knowledge may not eliminate such risk. While the discovery of an ore body may result in substantial rewards, very few properties which are explored are ultimately developed into producing mines. Substantial expenditures may be required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site, and additional financing may be required. It is impossible to ensure that the exploration programs planned by the Company will result in a profitable commercial mining operation or venture. The decision as to

whether a particular property contains a commercial mineral deposit and should be brought into production will depend on the results of exploration programs and/or feasibility studies, and the recommendations of duly qualified engineers and geologists. Several significant factors will be considered, including, but not limited to: (i) the particular attributes of the deposit, such as size, grade and proximity to infrastructure; (ii) metal prices, which are highly cyclical; (iii) government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection; (iv) ongoing costs of production; and (v) availability and cost of additional funding. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

(b) The exploration activities of the Company are being directed toward the search, evaluation and development of mineral deposits. There is no certainty that the expenditures to be made by the Company will result in discoveries of economic ore bodies or commercial production thereof.

(c) Depending upon if and when commercial quantities of ore are found, the Company may or may not have the financial resources at that time to bring a mine into production. Sources of funding which might be available to the Company at such time may be limited to debt financing, the sale of equity capital, sale of a royalty interest or the entering into of joint ventures, there being no assurances that any of the foregoing forms of funding will be available to the Company.

(d) All phases of the mineral exploration and mining activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances and other matters. Mining and exploration activities are also subject to various laws and regulations relating to the protection of the environment. Although the Company believes that its activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which would limit or curtail production or development. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof could have a substantial adverse impact on the Company. In the context of environmental permitting, including the approval of reclamation plans, the Company must comply with known standards, existing laws and regulations which may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. The Company is not aware of any material environmental constraint affecting any of its development properties that would preclude the economic development or operation of any specific property.

(e) There is a significant degree of uncertainty attributable to the calculation of mineral deposit estimates and corresponding mineralization grades. Until the mineralized material is actually mined and processed, mineral deposit estimates and mineralization grades must be considered as estimates only. Consequently, there can be no assurance that any mineral deposit estimates or ore-grade information contained herein will prove accurate. In addition, the value of mineral deposits will vary depending on mineral prices and other factors. Furthermore, mineral deposit resource/reserve estimate information should not be interpreted as any assurance of mine life or of the potential profitability of existing or future projects.

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

(g) The profitability of the operations of the Company are significantly affected by changes in the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, world supply of mineral commodities and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The price of mineral commodities has fluctuated widely in recent years, and future serious price declines could cause commercial production of a particular mineral property to become impracticable.

(h) The business of mining is generally subject to a number of risks and hazards, including environmental hazards, industrial accidents, labour disputes, encountering unusual or unexpected geologic formations, rock bursts, pressures, cave-ins, flooding and periodic interruptions due to inclement or hazardous weather conditions, among several others. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability. While the Company may be able to obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks are such that liabilities could exceed policy limits or could be excluded from coverage. There are some risks such as certain environmental risks (including potential for pollution or other hazards as a result of disposal of waste products occurring from exploration and production) in respect of which insurance is not generally available to the Company or to other companies within the industry or is prohibitively expensive due to excessive premium costs. The potential

costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage or non-compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the Company's earning and competitive position in the future and, potentially, its financial position. Failure to have insurance coverage for any one or more such risks or hazards could have a material adverse effect on the Company, its business, financial condition and results of the operations.

(i) The mineral exploration and mining business is extremely competitive in all of its phases. The Company encounters competition from other companies in connection with its search for and acquisition of mining properties and interests which are producing or capable of producing minerals. Some of the Company's competitors are large, established mining companies with substantial capabilities and greater financial and technical resources than the Company. As a result of this competition, the Company may at any point in time be unable to acquire or develop attractive properties on terms it considers acceptable.

(j) The Company's ability to continue exploration of its properties will be dependent upon its ability to generate excess cash flow from its operations, or its ability to raise significant additional funds in the future. Should the Company not be able to obtain such financing, a portion of its interest in properties may be needed to be transferred to potential joint venture partners, or its properties may be lost entirely.

(k) Pursuant to the Xstrata Offtake Agreement dated May 31, 2005, as amended on September 15, 2008, the Company agreed that all ore produced using any infrastructure or assets comprising the Lockerby Mine shall be processed at Xstrata's Strathcona Mill located near Onaping, Ontario. Accordingly the Company has only one customer and is unable to reduce its concentration of credit risk over multiple counterparties. Should Xstrata Nickel enter into financial difficulty, the Company would be exposed to material losses on its accounts receivable and would have to seek alternative ways of realizing value for its ore for future revenues.

Additional Capital

The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions as well as the business performance of the Company. The development and exploration of the Company's properties, may require substantial additional financing. Failure to obtain such financing may result in delaying or indefinite postponement of exploration, development or production on any or all of the Company's properties or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. If additional financing is raised by the Company through the issuance of securities from treasury, control of the Company may change and security holders may suffer additional dilution.

Dilution

In the event the Company seeks to procure additional financing through the sale and issuance of its securities, or in the event that current stock option holders exercise their options, the then shareholders of the Company may suffer immediate and substantive dilution in their percentage ownership of the issued and outstanding shares of the Company. As of the date of this AIF, 8,153,858 incentive stock options granted to certain directors, officers, employees and consultants of the Company, pursuant to the Company's 2004 Stock Option Plan, as amended, are outstanding. As of the date of this AIF, there were 161,031,676 common shares outstanding, meaning that the exercise of all of the existing stock options would result in further dilution to the existing shareholders of approximately 5.1% of the outstanding common shares. Should such stock options be exercised, the increase in the number of common shares issued and outstanding, and the possibility of sales of such shares may have a depressive effect on the price of the common shares. In addition, the voting power of the Company's existing shareholders will be diluted.

In addition, RCF, at its discretion, has the right to convert all or any portion of the US$10 million convertible loan, whether outstanding or previously repaid, at any time prior to December 31, 2013 into common shares of the Company. The loan, if converted in full would represent 107,054,546 common shares of the Company. RCF also has the option to receive the interest payable on the loan in cash or in common shares. If all future interest is paid in shares, the Company could at present share prices issue an additional 34,500,000 common shares.

Dependence on Key Executives

The Company is dependent on the services of key executives and a small number of highly skilled and experienced consultants and personnel. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. Due to the relatively small size of the Company, the loss of these persons or the Company's inability to attract and retain additional highly skilled employees may adversely affect its business and future operations. The Company does not currently carry any key man life insurance on any of its executives. The directors of the Company will only devote part of their time to the affairs of the Company, while the officers of the Company devote their full time to the affairs of the Company.

Absence of Dividends

The Company has no dividend record and since it intends to employ available funds for mineral exploration and development it does not intend to pay any dividends in the immediate or foreseeable future. The future dividend policy will be determined by the board of directors of the Company.

Potential Volatility of Market Price of Common Shares

The TSX has, from time to time, experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of the Company's common shares. In addition, the market price of the common shares is likely to be highly volatile.

Factors such as the price of nickel, copper, PGE's and other minerals, announcements by competitors, changes in stock market analyst recommendations regarding the Company, and general market conditions and attitudes affecting other exploration and mining companies may have a significant effect on the market price of the common shares. Moreover, it is likely that during the future quarterly periods, the Company's results and exploration activities may fluctuate significantly or may fail to meet the expectations of stock market analysts and investors and, in such event, the market price of the common shares could be materially adversely affected.

3.3 Material Mineral Properties

The Company's two material mineral properties for purposes of NI 43-101 are:

- Lockerby Mine property; and
- West Graham property.

3.3.1 Lockerby Property

The following information is derived from the following technical reports prepared in accordance with the requirements of NI 43-101 and filed on the System for Electronic Document Analysis and Retrieval at www.sedar.com ("**SEDAR**"):

(a) "*Technical Report on the 2008 Resource Estimate for the Depth Zone Lockerby Mine, Sudbury, Ontario*" dated February 28, 2008 (the "**2008 Resource Estimate Report**") which was authored by Richard E. Routledge, Msc., P.Geo., of Scott Wilson RPA;

(b) *"Technical Report and Prefeasibility Study on the Depth Zone of the Lockerby Deposit"* dated July 28, 2008 (the "**Lockerby Prefeasibility Study Report**"), which was authored by Marc Lavigne, Eng., M.Sc., Jacques Gauthier, P. Eng., MGP, Luc Bourguignon, Eng. of GENIVAR Limited Partnership ("**GENIVAR**"), each of whom is a "qualified person" and "independent" of the Company as those terms are defined in NI 45-101;

(c) "*Technical Report on the 2009 Mineral Resource Estimate, Lockerby Mine, Sudbury, Ontario*" dated February 23, 2009 and filed on SEDAR on April 9, 2009 (the "**2009 Resource Estimate Report**") which was authored by the Company's Geology Manager, Phil Vicker, P.Geo., M.Sc., who is a "qualified person" as defined in NI 43-101. The Mineral Resources have been reported by the Company as a "producing issuer" as defined by NI 43-101; and

(d) *"Technical Report and Feasibility Study on the Depth Zone of the Lockerby Deposit*" dated April 10, 2009 (the "**Lockerby Feasibility Study Report**") which was authored by Marc Lavigne, Eng., M.Sc., Jacques Gauthier, P.Eng., MGP, and Luc Bourguignon, Eng. of GENIVAR, each of whom is a "qualified person" and "independent" of the Company as those terms are defined in NI 45-101.

This section has been updated by the Company to the date of this AIF by its Vice President of Exploration, Paul Davis, M.Sc., P.Geo., also a "qualified person" under NI 43-101. Complete copies of the 2008 Resource Estimate Report, the Lockerby Prefeasibility Study Report, the 2009 Resource Estimate Report and the Lockerby Feasibility Study Report, portions of which are quoted verbatim or paraphrased herein, are available for inspection upon request from the Company's head office, as well as on SEDAR. C. Lafleur, P.Eng., a "qualified person" under NI 43-101 and Lockerby's Chief Mine Engineer, oversees mine engineering activities on behalf of the Company.

All references to tables and figures in this section (except for Figures LM-1 and LM-2, which were provided by management of the Company) are to the tables and figures accompanying the 2009 Resource Estimate Report, which have been substantively reproduced herein.

A feasibility study on the development and mining of the Lockerby Depth was completed in the first quarter of 2009. GENIVAR, a consulting engineering firm based in Quebec City, Quebec, was retained by the Company to complete the feasibility study on the Lockerby Depth Zone and prepare the Lockerby Feasibility Study Report. Results of the feasibility study were released in February 2009.

GENIVAR was also retained by the Company to provide an update of the feasibility study economic model, results of which were released in October 2009. The update was requested in order to reflect the change in project timing from the original study, incorporate some adjustments to the treatment charges, and investigate the effects of performance improvements in the mine development component on the capital plan. The capital and operating estimates for the mine remained the same, with the following parameters modified in the updated model:

- metal price forecasts;
- US$/C$ exchange rate;
- project start-up re-set to mid-2010;
- escalation adjustments incorporated into treatment charges related to the Xstrata Offtake Agreement; and
- incorporation of the Au/Pt/Pd/Ag net smelter returns into revenues based upon previous mine receipts.

The updated study indicates that the project has an internal rate of return of 74.0% and would generate an undiscounted pre-tax, pre-finance cumulative cash flow of $112.2 million after capital recovery assuming average metal prices of US$8.00/lb Ni, US$ 2.75/lb Cu, and US$ 15.00/lb Co. An exchange rate of $US0.85/$C was used for this study. Based on a 10% discount rate the project has a $66.8 million NPV as calculated by GENIVAR.

Capital expenditures and ongoing investments, including a 10% contingency, are estimated to total $69.8 million of which $37.6 million is required during the preproduction phase. Metal production would total 51.7 million pounds payable nickel, 34.4 million pounds payable copper, and 1.0 million pounds payable cobalt. The mining method proposed is longhole stoping between the 65-3 and 70 levels utilizing a transverse

accessed blasthole stope design. Unit cash operating costs net of by-product credits are estimated at US$4.56 per pound of nickel over the 6.5 year mine plan. Mine operating costs are estimated to average $155/tonne.

The Lockerby Depth project mine plan schedule extracting the Probable Mineral Reserves would last 6.5 years consisting of 1.0 years of preproduction and 5.5 years (less one month) of development and production at a full production rate of 800 tonnes per day or 280,000 tonnes per year. In comparison to recent production, the critical elements of the capital plan that will increase output and reduce unit costs are ensuring development is well in advance of production, production schedule, replacing of the haulage fleet with a new diesel fleet and improving ore handling, the ventilation system, cooling strategy and backfill handling.

Property Description and Location

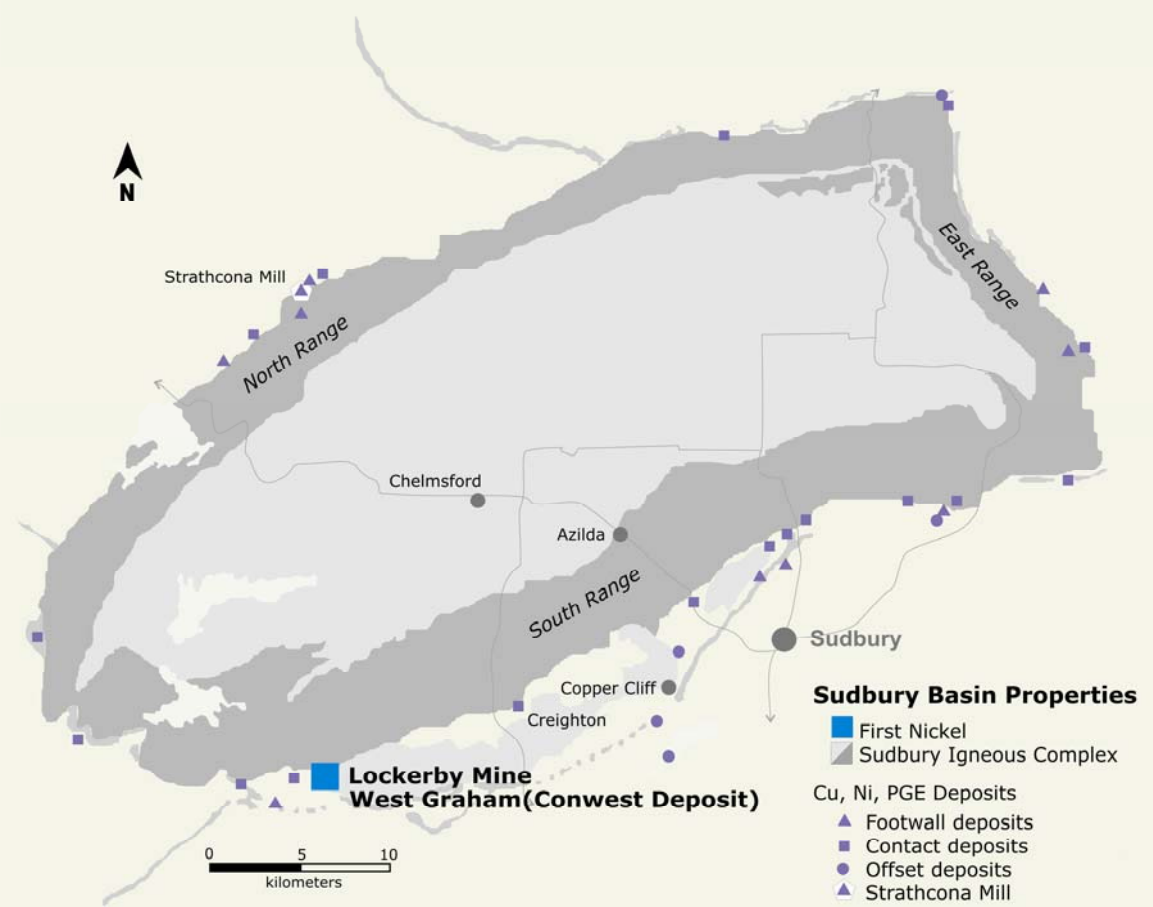
The Lockerby Mine is located at the south-western end of the South Range of the Sudbury Igneous Complex ("**SIC**"), 30 kilometres west of the city of Sudbury, Ontario (Figure LM-1). The property is located in part of Graham and Denison Townships. The property is composed of 10 contiguous patented mining claims covering 244.41 hectares as set out in Table 4-1 below.

Table 4-1
Claims Comprising the Lockerby Mine Property

Parcel #	Location	Lot	Con	Township	Claim Type
9107 SWS	East Zone	12	6	Graham	Patent
9106 SWS	East Zone	12	6	Graham	Patent
9108 SWS	East Zone	12	6	Graham	Patent
9109 SWS	East Zone	12	6	Graham	Patent
7390 SWS	East Zone	1	6	Denison	Patent
Part 454 ANS	Depth Zone	1	5	Denison	Patent
Part 454 ANS	Depth Zone	2	5	Denison	Patent
Part 5115 SWS	Railway	1	5	Denison	Patent
Part 5115	Railway	2	5	Denison	Patent
9478 SWS	Lake	1	5	Denison	Patent

Figure LM-1

Property Location Map



The Company acquired a 100% interest in the Lockerby Mine property effective May 31, 2005 from Falconbridge which is now Xstrata Nickel, a business unit of Xstrata Canada Corporation.

In conjunction with the Lockerby Mine acquisition, the Company entered into a royalty agreement dated May 31, 2005 as amended by letter dated December 12, 2007, with Inco Limited, now Vale Inco Limited ("**Vale Inco**"), whereby the Company would develop and mine extensions of the Lockerby Depth Zone ore body on adjacent property owned by Vale Inco and in return pay a royalty to Vale Inco. The Company also entered into the Xstrata Offtake Agreement on May 31, 2005 which was amended by an amending agreement with Xstrata Nickel dated September 15, 2008, obligating Xstrata Nickel to purchase for the life of the mine, 100% of the ore handled through Lockerby's underground infrastructure (including ore derived from third party properties outside the mine) by paying for the recovered accountable metals derived from the Lockerby property, less applicable mining, smelting and refining charges.

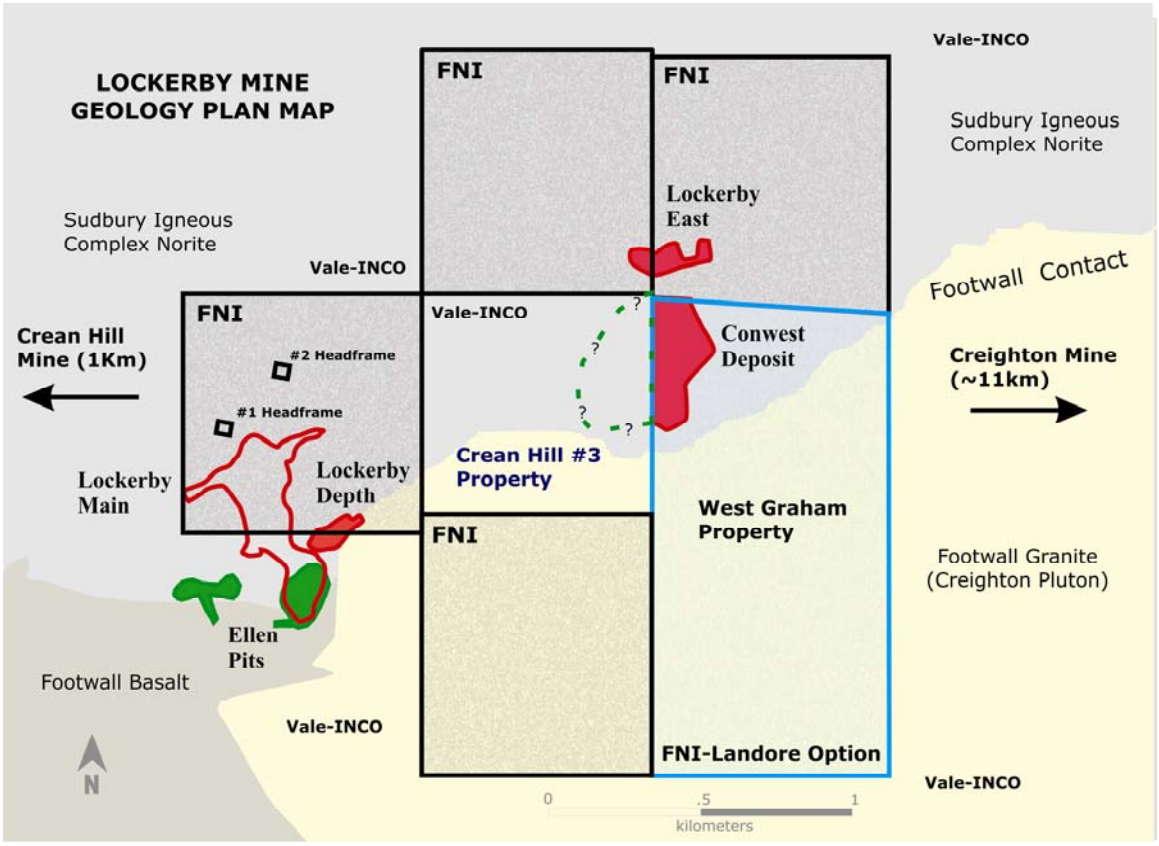
Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Lockerby Mine property is located approximately 32 kilometres west of Sudbury by road. Paved and unpaved roads connecting to Highways 144 and 17 give access from the north (over the Vermillion River), and from the south, respectively. Commercial scheduled air service is available at the Sudbury Airport, located northeast of the city. Sudbury is a ready source of skilled labour, equipment and supplies for the mining industry. It is one of Canada's most developed mining areas, with 93,000 inhabitants within the city and a total population of 166,000 including the surrounding district. The city is also a major regional centre in northeastern Ontario for commerce, government administration, education and medical facilities. Xstrata Nickel's Strathcona Mill is located at Onaping, Ontario, 60 kilometres northwest of Sudbury, and its smelter facility is located 15 kilometres to the northeast in Falconbridge, Ontario. The Lockerby Mine surface installations include two headframes, a backfill plant, , workshops, a warehouse, water treatment plant, and an administration/dry facility. A plan of the Lockerby Mine site is included as Figure 4-3, below.

Figure 4-3
Plan Map of Lockerby Mine

A map of the Lockerby Mine area is included as Figure LM-2, below.

FIGURE **LM-2**
LOCKERBY MINE AREA



Lockerby Mine Shafts #1 and #2 extend from surface to 1,300 metre depth, providing access for personnel and materials, and hoisting ore and waste to surface. An internal shaft, Shaft #3, extends from 1,200 metre to 1,550 metre depth, and is used for skipping ore and waste from the Depth orebody. All three shafts are operated from a central control room by a single hoistman. The hoisting system is rated for one million tonnes per year.

The Lockerby Mine is equipped with an internal ramp from 40L to 65-3L, and an access drift from Shaft #1 load-out to the East Zone. Fresh-air ventilation raises extend to 65 Level. Communications and dewatering systems are operational throughout the active areas of the mine. Maintenance shops and refuge stations are in place and equipped.

There are no tailings ponds or solid waste treatment facilities on the Lockerby Mine site and none are planned.

Terrain in and surrounding the Lockerby Mine property is characterized by moderate to subdued topographic relief and second growth northern boreal forests and small lakes and swamps. Elevations range from 230 metres (755 ft.) to 460 metres (1,500 ft.) above sea level. Bedrock is poorly exposed in lower relief areas. Farmlands within the interior of

the Sudbury Basin are underlain by flat-lying sedimentary and epiclastic rocks covered by Quaternary glacial deposits and thin soils.

The Sudbury-area climate is northern continental temperate with warm summers and cold winters. Seasonal temperatures average 24.8º C in summer and –8.4º C in winter. Average annual precipitation is 62.2 mm of rain and 247.5 mm of snow.

History

The mine property was originally held by the Lockerby family from 1888 to 1908, then by the Dominion Bank. Dominion optioned the property to a succession of mining companies, and ten holes were drilled near the south property boundary. Falconbridge purchased the Lockerby property in 1942, and drilled extensively throughout the 1960's.

Shaft sinking began in 1969, and the first ore was produced from the Main Zone in 1971. Falconbridge began construction of a milling facility on site, , however, construction was halted shortly after foundations were poured, when a decision was made to process Lockerby ore at the Strathcona Mill. The Depth and East Zones were mined starting in 1991-1992. Mining was suspended from 1978 to 1980, and from 1994 to 1997, due to low nickel prices.

Hoisting capacity is one million tonnes, with past production peaking at 635,000 tonnes in 1984. To December 31, 2003, 8.26 million tonnes averaging 1.79% Ni and 1.07% Cu were produced from the Main, Depth, and East Zones at Lockerby Mine. The Company since commencing operations in 2006 has produced 358,722 tonnes averaging 1.65%Ni, 0.89% Cu.

Initial Work by the Company

The Company commenced rehabilitation and reactivation of the Lockerby Mine in early June 2005, immediately after completing its purchase from Falconbridge. Reactivation work included upgrading the Shaft #3 hoisting facility, replacing key components in the ore handling system, performing maintenance work on equipment and installing surface facilities required for crushing, sampling and transport of ore to the Strathcona Mill.

During 2005, the Company's development and production activities were focused on the Depth Zone. Underground lateral development commenced in September 2005, while long-hole drilling for ore production commenced in October 2005. Hoisting of ore to surface and transport to the mill commenced during the first week of December 2005, enabling the Company to achieve limited production from the mine six months after acquiring the property.

Capital expenditures and commitments were made for key equipment, including the surface ore handling and sampling system and several pieces of essential mobile underground equipment.

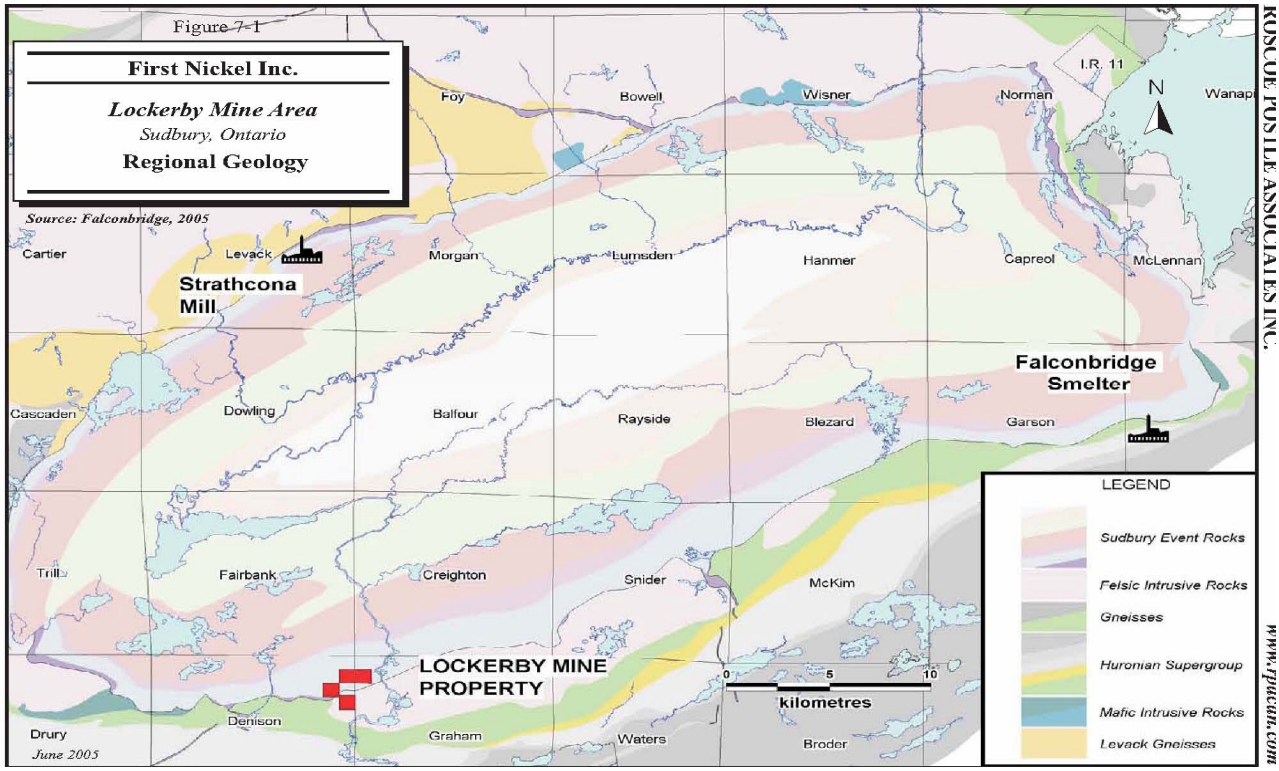
Geological Setting

Regional Geology

The Lockerby Mine property lies in the southwest area of the SIC South Range. The SIC straddles the boundary between the Archean-aged Superior Geologic Province to the north and west, and the Southern Province of lower Proterozioic Huronian Supergroup rocks to the south and east (Figure 7-1). The Grenville Front, at the northern margin of the Grenville Province, lies approximately 10 kilometres to the southeast of the SIC. The SIC is divided geographically into the South Range, the North Range and the East Range.

Superior Province footwall rocks on the North Range consist of granitic intrusives and gneisses and minor volcanic rocks of the Levack Gneiss Complex that have been dated at 2,700 Ma. These were deformed and metamorphosed at 2,640 Ma and subsequently intruded by northwest trending Matachewan dikes. On the South Range, the footwall Southern Province metavolcanic and metasedimentary formations were deposited between 2,490 Ma and 2,200 Ma and have been extensively intruded by sills and dikes of Nipissing Diabase, dated circa 2,200 Ma.

FIGURE 7-1
LOCKERBY MINE AREA - REGIONAL GEOLOGY



Local Geology

The SIC is an elliptical, layered intrusive body forming the walls of the Sudbury Basin that is 60 kilometres along a NE-SW trend and 28 kilometres wide at surface. The SIC itself is 2.5 kilometres to 3 kilometres thick at surface. SIC igneous rocks dip sub-vertically in the Lockerby area, and approximately 35º to 45º towards the center of the

basin on the North Range. Geologic relationships and age dating indicate an emplacement age of 1,850 Ma subsequent to a meteor impact that caused extensive brecciation of the SIC footwall rocks, which may have initiated the intrusive event and associated contact metamorphism of the footwall rocks. The original structure of the astrobleme exceeded 150 kilometres in diameter. Later tectonic compression, faulting and thrusting at the margins, and deep erosion has modified it to its present shape. More extensive thrusting in the South Range has exposed deeper portions of the SIC compared to the North and East ranges and this, coupled with the strong local influence of underlying crustal rocks, is reflected in differences in the lithologies, mineralogies and ore deposit metal contents, particularly higher PGE and arsenic contents in the South Range.

The three main geologic components related to the meteor impact are the SIC emplacement, the deposition of the Whitewater sedimentary rocks occupying the center of the Sudbury Basin, and the Sudbury Breccia.

The SIC itself is composed of an irruptive suite of basal coarse-grained felsic norite and gabbro-norites succeeded upwards into the basin by a transition layer of quartz gabbro. This assemblage is topped by granophyre/granophyric micropegmatites (Figure 7-1, above). A discontinuous sublayer of brecciated norites and granites is commonly found in embayments in the footwall, where the basal SIC thickens, and in offset dikes. Thickened sublayer rocks are favoured host rocks for Ni-Cu contact deposits and they account for most of Sudbury production.

The Whitewater Group consists of synformal, Aphebian-age epiclastic and sedimentary rocks comprising the Onaping Tuff and Onwatin Slate topped by the Chelmsford Sandstone in the center of the basin. The Whitewater Group was deposited after emplacement of the irruptive with the tuffs related to volcanic activity associated with intrusion followed by erosion of the SIC and sedimentation within the basin.

The Sudbury Breccias occur as dikes, stringers and irregular bodies of pseudotachylite that are commonly developed between contacts of contrasting rock types within the footwall of the SIC. The breccias have an aphanitic matrix bearing xenoliths of local rocks. Cu and PGE-rich footwall vein deposits are found in Sudbury breccia.

Geology of Lockerby Property

The Lockerby deposits are located at the base of the SIC in norite, which protrudes into vertically dipping, south facing Huronian greenstone of the Stobie Formation at the west end of the Creighton granite pluton. The latter is a composite intrusive of some 21 kilometres by 6 kilometres that ranges in composition from granodiorite and quartz monzonite to granite. The Main fault zone, a subsidiary to the regional ESE trending Creighton Fault, follows the east limb of the norite protrusion and encloses a breccia pipe. Nickel-copper mineralization occurs mainly as breccia and stringer sulphides within the Main fault; as blebs in the matrix of the breccia pipe; and occasionally as disseminations in the hanging wall norite.

Three zones have been discovered at Lockerby Mine: Main, Depth, and East. The Main Zone lies up-dip of the Depth Zone and has been mined out except for remnant sills and pillars. The zone dips 60º NW from surface to 685 metre depth and then vertically to 1,060 metres where it reversed to SE at 70º and then pinched out. Up-dip, the zone

crosses the Vale Inco property boundary at a depth of 160 metres and extends to surface where it was mined by Vale Inco through its No.1 Ellen open pit mine.

The top of the Depth Zone is 150 metres below the lowest working level of the Main Zone. The Depth Zone is essentially a pipe or shoot, with a large plunge-length-to-width ratio similar in geometry and mineralization to the Main Zone. The zone dips 70º SE dip at its top reversing to steeply north at the 63 Level (1,920 metre depth). The Depth Zone has been mined on 53 Level down to 63 Level at 2,075 relative elevation (RL) where it averages 7 metres in width and extends approximately 180 metres along strike. Drilling has intersected the Depth Zone to 72 Level (1,750 RL) and it is open at depth.

The East Zone is located 1.5 kilometres east of the Depth Zone at shallower depth than the Depth Zone. The East Zone averages 1 to 2 metres thick and strikes for almost 200 metres. Falconbridge mined the East Zone above the 2,900 metres RL on five sublevels to the 30 Level overcut.

East Zone mineralization is controlled by a nose structure, of norite/sublayer in the footwall, that plunges from west to east at 40º. The structure is sheared and norite schists with quartz veins form the stratigraphic hanging wall of the zone. It dips 70º or steeper south at the 31 Level, however below 40 Level, the contact and zone reverses dip to steeply north. The up-dip area is characterized by a roll to shallower dip and the occurrence of parallel sheets of Ni-Cu mineralization. Management believes that the East Zone is the down plunge equivalent of the Conwest Deposit on the adjacent West Graham Property. See "Mineral Properties – West Graham Property" below.

Mineralization

Three main types of Ni-Cu±PGE deposits are recognized in the SIC:

1. Contact-type massive to disseminated sulphide deposits occur in the SIC noritic sublayer. Mineralization is composed of pyrrhotite, pentlandite, chalcopyrite, pyrite, and magnetite. Bornite and millerite may occur in higher-grade zones and arsenides are more common in the South Range.

2. Copper and PGE-rich footwall veins and stockworks are hosted by Sudbury Breccia within the SIC footwall gneisses or greenstones to the SIC and often occur in the vicinity of contact-type deposits. Chalcopyrite and cubanite predominate, with lesser pentlandite, magnetite, and pyrrhotite.

3. Offset quartz-norite dikes radiating from, or sub-parallel to, the margin of the SIC and may host either lenticular zones of sulphide blebs or sulphide skins on Sudbury Breccia fragments on the margin of the dikes.

Most historic Sudbury-area production has originated from contact deposits in the sublayer rocks as described in paragraph 1, above. The resources and reserves at the Lockerby Mine property have been estimated for the Depth and East Zone contact-type deposits. Sudbury Breccia has been intersected locally in footwall access drifts and drill holes, however, the potential for footwall deposits remains to be fully explored.

Local depositional control for the Lockerby Ni-Cu contact mineralization is related to a depression in the SIC footwall formed at the faulted juncture of the SIC, Stobie greenstones and Creighton granite. Lockerby mineralized zones follow this lithologic "triple point" down-dip and exploration has focused on locating similar geologic settings at depth and laterally along the base of the SIC.

The Depth Zone occurs as a sheet of suphides at the contact between norite, a dark norite breccia sublayer, and granite. The sheet pinches and swells on strike and dip. Massive sulphides in breccia are usually at the norite-granite contact with stringers and disseminated sulphides continuing into the norite and dark norite breccia stratigraphic hanging wall.

Main and Depth Zone mineralization is composed of breccia sulphide and adjacent stringers and disseminations hosted by all rock types cut by the Main fault. Sulphides are approximately 80% pyrrhotite, 13% pentlandite, and 7% chalcopyrite.

The East Zone occurs as veins and stringers of sulphide distributed along the contact between the norite, norite sublayer and granite. The mineralization appears to be, at least partially controlled by a broad shear zone where sulphides have migrated both into the immediate hanging wall and footwall lithologies. A broad zone of disseminated sulphide mineralization occurs within the norite directly above the veined and stringer sulphide zone. Pentlandite content is significantly higher at the East Zone approximately twice that of the Depth Zone.

Recent Drilling by the Company

The Company commenced diamond drilling at the Lockerby Mine in October of 2005. A total of 517 holes totaling 129,741 metres of diamond drill core had been completed on the property as of December 31, 2009. The drilling was carried out by Bradley Brothers Limited of Rouyn-Noranda, Quebec. Diamond drilling has focused primarily on the extension and definition of the resources for future mine planning on the Depth Zone. (See "Mineral Resource and Mineral Reserve Estimates" below.) Exploration drilling testing targets close to existing infrastructure in the upper part of the Lockerby Mine, referred to as the Upper West Zone, started in November 2007 and continued until April 2008. Exploration drilling tested the footwall to the south of the Lockerby Main Zone in May 2008, but was suspended in October 2008. Surface exploration drilling tested the footwall on the Lockerby South claim located approximately 500 metres southeast of the Lockerby #2 Head Frame. Detailed, computer supported compilation and interpretation work by the Company is used to provide the necessary level of confidence to proceed with future development work on both the Depth Zone and the East Zone.

Sampling, Analysis and Security of Samples

During the Company's drilling program, drill core generated was collected once daily from the drill rigs and securely transported by Company personnel to a core logging facility located on the Lockerby Mine site. Rock types with descriptions, structure, sulphide estimates and rock quality designation (RQD) estimations were logged directly into the Company's digital computer database. All drill core with significant sulphide mineralization (>1%) was sampled over intervals ranging from 0.15 metres to 1.5 metres depending on the intensity of sulphides and geological characteristics. No drill core

recovery or sampling factors were present which could materially impact the accuracy or reliability of core assaying.

Whole drill core was sampled and the remaining core was discarded unless it was deemed that there was a technical reason to store the core at the Lockerby core storage facility. Each lot (1 drill hole) had a blank and certified nickel standard at a frequency of at least one blank or standard per 25 samples.

The Company's core samples for 2006 and 2009 were sent for assay at the SGS Mineral Services (SGS) preparation facility in Garson, Ontario, where they were dried, crushed to 75% passing 2 mm (10 mesh), split to 250 g, and pulverized to 85% passing 75 microns (200 mesh). The specific gravity of prepared sample pulps was determined by pycnometer. One extra selected pulp per drill hole batch was retained for future testing at a second independent laboratory. SGS sent the pulps to Toronto (SGS XRAL) for analysis of nickel, copper, cobalt (sodium peroxide fusion with ICP-OES finish), fold, platinum, palladium (fire assay-lead collection with ICP-OES finish), sulphur (Leco furnace), and silver (aqua regia digestion, AAS).

The Company's core samples for 2007 and 2008 were sent to the Accurassay Laboratories in Lively for initial preparation; crusher fines are shipped by Accurassay via Manitoulin Transport to Thunder Bay. The samples were dry crushed to 8 mesh (minimum 90% of sample), split to 250-500g and pulverized to 150 mesh (minimum 90% of sample); a silica-clean was performed between each sample. Assay analyses, and specific gravity measurements by pycnometer, were performed in the Accurassay Thunder Bay laboratory. Nickel, copper and cobalt were analyzed by sodium peroxide fusion with ICP-finish gold, platinum and palladium, by fire assay with AA finish, silver by aqua regia digestion, AA. Samples for sulphur analysis were shipped to International Plasma Laboratories in Vancouver by Accurassay via Priority Post (Canada Post), where they were analyzed by LECO. Results were received digitally and by hard copy certificate, and were compared to expected visual estimates. Standards and blanks were checked for their expected results. One pulp duplicate sample is taken for each batch of samples and analyzed at a second commercial laboratory (SGS Laboratories, Toronto).

Historic analytical work completed by Falconbridge was completed by Lakefield Laboratories, a commercial laboratory.

The Lockerby diamond drilling programs were being carried out under the supervision of the Company's Chief Mine Geologist, Steve Conquer, P.Geo., a "qualified person" as that term is defined in NI 43-101and the Company's Sudbury Geology Manager, Phil Vicker, P.Geo., a "qualified person" as that term is defined in NI 43-101.

Mineral Resource and Mineral Reserve Estimates

Mineral Resource Estimates

New Mineral Resource models were completed for the Lockerby Mine. The Mineral Resource models were prepared by the Company's technical team conforming to NI 43-101 standards as a producing issuer. In the Company's opinion, the density of drilling and continuity of mineralization is sufficient to classify a significant portion of the estimated resources as Indicated Mineral Resources. Results of the Resource Estimate were

released on February 23, 2009 and filed on SEDAR on April 9, 2009. The results of the resource estimate are summarized in the following table:

TABLE: INDICATED AND INFERRED MINERAL RESOURCE **First Nickel Inc. Lockerby Mine Project, Ontario**					
Classification	**Tonnes (000's)**	**Ni %**	**Cu%**	**Co%**	**NiEq %**
Indicated					
Depth Zone [(1)]	1,420	2.58	1.60	0.098	3.14
East Zone [(2)]	180	2.32	0.78	0.048	2.60
Upper West [(3)]	250	0.95	1.00	0.046	1.30
Total Indicated [(4)]	**1,840**	**2.33**	**1.44**	**0.086**	**2.84**
Inferred					
Depth Zone [(1)]	530	1.79	1.13	0.066	2.18
East Zone [(2)]	40	2.93	0.80	0.059	3.22
Total Inferred [(4)]	**580**	**1.88**	**1.10**	**0.065**	**2.26**

Notes:

(1) CIM definitions were followed for mineral resources.

(2) 1.5% nickel equivalent (NiEq) cut-off grade used for the Lockerby Depth Resource Estimate (NiEq = Ni grade + (0.32 X Cu grade) + (0.53 X Co grade)) rounded to the nearest 10,000 tonnes;

(3) A 1.0% nickel equivalent (NiEq) cut-off grade was used for the Lockerby East Resource Estimate (NiEq = Ni grade + (0.32 X Cu grade) + (0.53 X Co grade)) rounded to the nearest 10,000 tonnes;

(4) A 0.8% nickel equivalent (NiEq) cut-off grade was used for the Upper West Resource Estimate (NiEq = Ni grade + (0.32 X Cu grade) + (0.53 X Co grade)) rounded to the nearest 10,000 tonnes;

(5) Total Indicated and Inferred tonnes represent the sum of the detailed estimates rounded to the nearest 10,000 tonnes;

(6) Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, taxation, sociopolitical, marketing, or other relevant issues;

(7) The quantity and grade of reported inferred resources in this estimation are conceptual in nature and there has been insufficient exploration to define these inferred resources as an indicated or measured mineral resource and it is uncertain if further exploration will result in upgrading them to an indicated or measured mineral resource category.

The Mineral Resource estimate for the Lockerby Mine was derived from three dimensional block models utilizing Datamine© software, applying industry standard resource modeling procedures. Grade was interpolated into the blocks using Ordinary Kriging (OK), and results were compared to those derived from Inverse Distance Squared weighting (ID_2) and Nearest Neighbour (NN) methodologies. The block models were generated from three dimensional wireframe meshes, constrained by interpreted geological continuity and nickel-equivalent (NiEq) cut-off grades. NiEq factors are based on Ni, Cu and Co grades and are derived from a relationship between significant payable metal processing accountability and long term metal price ratios. The equivalency factor utilized is NiEq% = Ni% + (0.32 x Cu%) + (0.53 x Co%). The NiEq cut-off grades vary for each individual area (1.5% NiEq – Lockerby Depth; 1.0% NiEq – Lockerby East; 0.8% NiEq – Upper West). Factors influencing the selection of the

appropriate cut-off grade for each different area include geological continuity, style of mineralization, and proximity to existing infrastructure.

Mineral Reserves

The Company received the final results of the Depth Zone feasibility study on February 27, 2009 on the development and mining of the Lockerby Depth from GENIVAR. The Lockerby Feasibility Study Report in its entirety was filed on SEDAR on April 13, 2009.

The Depth Zone Feasibility Study derived the reserves from an estimated Indicated Mineral Resource of 1.42 million tonnes grading 2.58 percent nickel, 1.60 percent copper and 0.098 percent cobalt at a 1.5 percent nickel equivalent cut-off grade. Conversion of the resources, above the 70 Level, to reserves yielded a Probable Mineral Reserve of 1.44 million tonnes grading 2.23 percent nickel, 1.36 percent copper and 0.083 percent cobalt. Reserves were estimated using a 20 percent dilution, a 90 percent overall mining recovery and a 1.5 percent nickel equivalent cut-off grade.

TABLE: PROBABLE MINERAL RESERVE
First Nickel Inc. Lockerby Mine Project, Ontario

Classification	Tonnes (000's)	Ni %	Cu%	Co%
Depth Zone	1,440	2.23	1.36	0.083
Total Indicated	**1,440**	**2.23**	**1.36**	**0.083**

Notes:

(1) CIM definitions were followed for Mineral Reserves.

(2) Mineral Reserves were estimated at a cut-off NiEq grade of 1.5%

(3) Dilution was estimated to be 20%

(4) Extraction was designed to be 90%

(5) Metal prices used: Ni US$7.00/lb, Cu US$2.00/lb, Co US$17.00/lb

Mining Operations

Past mining at Lockerby Mine has been highly mechanized, using trackless equipment. A system of internal ramps and drifts are sized to allow mechanized access. In general ground conditions are good and shotcrete is extensively used to control and maintain the brows of open stopes. Timely backfilling of stopes contributes to increased stability. As the mine workings are relatively deep, particular attention is paid to properly designed layouts and openings, and the Company has a broad array of geophones deployed around the workings to monitor and record all seismic activity.

Depth Zone

The Depth Zone orebody has a near-vertical dip and was mined by the Company from 2006 to 2008 using the same longhole mining method used in the past by Falconbridge. Mining from the Depth Zone represented 80% of the total mine production. A ramp, driven on the north side of the orebody at a grade of 15%, provides access to levels spaced 21 metres vertically from each other. Two fresh air raises (one equipped as a second egress) supply air to the Depth Zone. They currently extend to the 65-3 Level and are advanced level by level. Undercut drifts are driven to the east and west limits of the

orebody with stopes sized 21 metres high and 30 metres in length (along strike). Three-inch diameter upholes are drilled using an electric hydraulic drill and are then loaded with bulk emulsion explosives. Remote 8 yard LHD's are then used to muck the ore to 40 tonne trucks. Once stopes are emptied, they are filled using cemented hydraulic backfill, which is directed through a series of boreholes underground.

East Zone

The East Zone orebody has a dip of 60°-70° and has been mined by the Company using the longhole mining method. It has provided up to 20% of mine production. A ramp, driven on the north side of the orebody, at a grade of 15%, provides access to levels which are spaced vertically, 15 metres apart.

Ore Handling

Depth Zone ore is trucked up ramp to an internal Shaft #3 at 1,550 metres RL, hoisted to 1,200 metres RL, transferred by conveyor to another Shaft #1, which is then hoisted to surface. East Zone ore is trucked across 1.5 kilometres of drift to the shaft, and hoisted up Shaft #1. A jaw crusher between the two shafts crushes ore to -5" prior to being conveyed and hoisted up to surface. On surface, the ore is dumped and transferred into a series of crushers to reduce the material to 1 inch. After crushing, the ore is sampled and trucked to the Strathcona Mill for processing. Tailings used for hydraulic fill is backhauled from the mill, as required.

Manpower

In 2008 the Company employed up to 166 employees comprised of 20 clerical and technical employees, 23 support staff and 123 production and maintenance personnel at the Lockerby Mine. Surface crushing, haulage to the Strathcona Mill, longhole drilling, raise mining and diamond drilling were all subcontracted. On October 19, 2008 the Lockerby Mine was placed on care and maintenance and only skeleton crews were retained for security and maintenance. Collective Agreements for the Lockerby Mine operation were signed between the Company and its two union locals, namely Local 2020, Unit 64 of the United Steelworkers of America, and Local 598 of the Canadian Autoworkers in December of 2006.

2009 Production

There was no production in 2009.

Safety, Health & Environment

The Company's directors, management, employees and contractors place the highest priority on safety, health and the environment. Best practices are implemented and applied to every aspect of the Company's activities. The Company is constantly reviewing safety, health and environmental performance and aims to meet or exceed all regulatory standards. The Company is using the downtime arising from the suspension of operations as an opportunity to review its safety and work practice guidelines at the mine

to ensure that when activities resume the systems in place are consistent with industry best practices. .

In 2009 there were no lost time injuries compared to two in 2008. When an incident occurs, an investigation is conducted, followed by a report detailing action plans which to be implemented to prevent further recurrences. There is an ongoing focus on safety with crew safety meetings and ongoing safety training including the Five Point Safety System and Equipment Pre-Use Checks is aimed at reducing the injury occurrences and an improved safety performance.

In October 2009 the Company was issued an Environmental Penalty Order from the Ontario Ministry of the Environment which entailed a fine of $700. The order and fine were issued because a sample taken at the final discharge point from the Company's waste water treatment pond exceeded the nickel limit (1.02mg/l vs 1.0 mg/l) on December 30, 2008. The exceedance arose after unusual rainfall and snowmelt over the New Year holiday lowered the pH in the water allowing nickel to be taken back into solution. The Ministry acknowledged that the Company's Emergency Team response was timely and well-executed, that new measures were quickly instituted and adopted, and that the circumstances were very unusual, but a minimal penalty was still appropriate. After the exceedance the Company reviewed its environmental management system, fabricated and installed new physical controls at the discharge point, and improved some of its inspection practices so that a recurrence is preventable.

At the time of purchase, environmental consultant, Jacques Whitford Limited ("**Jacques Whitford**"), reviewed the status of operating permits and approvals, the closure plan, and the closure cost estimate for Lockerby Mine. The following discussion is based upon their report (Hojka, 2005):

At the time of the Jacques Whitford report, the Lockerby Mine did not have a Permit to Take Water ("**PTTW**") from the mine and bring it to surface (dewatering the mine). A PTTW application together with a hydrogeological report was subsequently submitted to the MOE and all necessary approvals were received. With the exception of the PTTW, Jacques Whitford reported that all of the Certificates of Approval and permits meet regulatory standards to continue the operation of the mine, on the condition that no existing treatment facilities, or ventilation systems are altered, or that the volumes of water pumped do not exceed the permitted quantities.

Falconbridge submitted a mine closure plan for the Lockerby Mine to the Ontario Ministry of Northern Development, Mines and Forestry ("**MNDM**") in May 2001, which received approval in February 2002. The approved cost of the plan was estimated in 2001 to be $6,200,000. In conjunction with the Company's acquisition of the Lockerby Mine, the estimated cost of the closure plan was updated and the MNDM has accepted an irrevocable letter of credit in the amount of $5,900,000 as security for the Company's obligations under the plan. Jacques Whitford identified some additional issues that have the potential to add to the closure cost. These are not considered relevant at the moment.

In accordance with the Metal Mining Effluent Regulation ("**MMER**"), the Company submitted an Environmental Effects Monitoring ("**EEM**") second cycle study design to Environment Canada for approval prior to implementation fo the study. It described in detail how the second cycle biological monitoring study related to the mine would be

undertaken. It outlined the proposed activities involved in the investigation of the water quality, sediment quality, fish community and benthic invertebrate community at a number of pre-determined sampling areas around the Lockerby Mine. The study design was revised and approved in the spring of 2008 to address comments and recommendations received from Environment Canada.

AMEC Earth and Environmental was retained by the Company to undertake the second biological monitoring EEM study at the Lockerby Mine in accordance with the submitted study design and to prepare and submit the second interpretive report in 2009 in accordance with the MMER.

In June 2009, the Interpretive Report on the results of the Second Environmental Effects Monitoring Study was submitted to Environment Canada in accordance with the 2002 Metal Mining Effluent Regulations of the Fisheries Act. The Interpretive Report was reviewed by Environment Canada and generally met the EEM program requirements with some deficiencies to be addressed by an addendum to the second cycle study to be provided in 2010.

3.3.2 West Graham Property

The following information is derived from the following technical report prepared in accordance with the requirements of NI 43-101,

> "*Technical Report on West Graham Property, Conwest Zone Resource Estimate, Graham Township, Ontario, Canada*" dated January 15, 2009, (the "**2009 West Graham Technical Report**") which was authored by Richard E. Routledge, M.Sc. Applied, P.Geo., and Bruce Churchill, B.A. P.Geo., of Scott Wilson Roscoe Postle Associates Inc. ("**Scott Wilson RPA**"), each of whom is a "qualified person" and "independent" to the Company as those terms are defined in NI 43-101;

but, has been updated by the Company to the date of this AIF by its Vice President of Exploration, Paul Davis, M.Sc., P.Geo., also a "qualified person" under NI 43-101. A complete copy of the 2009 West Graham Technical Report, portions of which are quoted verbatim or paraphrased herein, are available for inspection upon request from the Company's head office, as well as on the SEDAR.

Property Description and Location

The West Graham property is located in Graham Township, Sudbury District, Sudbury Mining Division, Ontario, some 30 km west of the city of Sudbury and at the southwestern end of the South Range of the Sudbury Igneous Complex. The property consists of 129.9 ha contained in the patented parcel 29073 that occupies the N½ and S½ of Lot 12, Concession 5, Graham Township.

Lot 12 is located 1.5 km east of the Lockerby Mine and is bordered on the east and south by the Vale Inco property, on the north by the Company's Lockerby Mine property, and on the west by the Lockerby Mine and Vale Inco holdings. The Vale Inco claim on the west is known as the "Corridor Claim" or "Crean Hill #3" and is surrounded by the Company property. The Lockerby East Zone, down dip from the Conwest deposit, is

located on the Company parcel numbers 9106 SWS to 9109 SWS in Lot 12 Concession 6 to the north of the West Graham property.

Title to the West Graham (patented claims) is held by Landore Resources Canada Inc. ("**Landore**") and is maintained by the annual payment of taxes of $519.62. The patents include surface and mineral rights, covering the Conwest Deposit.

The Company entered into a definitive option agreement effective November 21, 2005 with Landore (the "**Landore Option Agreement**") to acquire a 70% undivided interest in the West Graham Property, which adjoins the Lockerby Mine. The effective date of the option agreement has been amended to December 31st of each calendar year. After an audited statement is prepared, the Company will be submitting the Phase One Completion Notice to Landore indicating it has met the requirements of the Landore Option Agreement to earn a 70% interest in the property. Landore will have the option to participate in the property to the extent of its 30% working interest, failing which the Company shall have the option to increase its interest to 85% by completing a bankable feasibility study within two years thereafter.

Lot 12 is subject to two easements to (i) the Manitoulin and North Shore Railway, and (ii) the Hydro Electric Power Commission of Ontario.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The West Graham Property is located within 2 kilometres of the Lockerby Mine but has very little infrastructure and development. High voltage power lines belonging to Ontario Power Generation, with a related easement, cross the central portion of the property. A pre-existing rail bed crosses the southern portion of the property.

See "Lockerby Property – Accessibility, Climate, Local Resources, Infrastructure and Physiography" for the particulars of the general climate, local resources and infrastructure in the Sudbury area.

History

The Conwest deposit was discovered in 1960 by Conwest Exploration ("**Conwest**"). Conwest diamond drilled 27 holes (6,447.19 m) in 1960-1961 and 1969 and estimated a mineral inventory at 4.3 million tons (3.9 million tonnes) averaging 0.52% Ni and 0.33% Cu. This historic estimate predates the implementation of NI 43-101 reporting regulations and Scott Wilson RPA considers it to be non-compliant with CIM/NI 43-101 standards and guidelines.

From 1987 to 1989, Falconbridge carried out airborne geophysical surveys and geologic mapping followed by the diamond drilling of six holes totalling 7,403.03 m and downhole pulse electromagnetic (PEM) geophysical surveys. Landore acquired the West Graham Property in a reverse takeover of Brancote Canada Ltd. in 2001 but did not undertake significant exploration. The Company commenced exploration in 2005 after signing the earn-in agreement with Landore in August 2005.

The Company completed 14.8 line kilometres of magnetometer surveys and 11.8 line kilometres of deep penetrating, gradient induced polarization surveying. From 2005 to

2009, diamond drilled 70 holes totalling 30,629.5 m on the West Graham property. Selected holes were surveyed downhole by UTEM (large loop time domain electromagnetic survey), PEM and Radio Imaging geophysical methods. Within the Conwest Deposit, the drill hole spacing is approximately 25 m sections and 30 m to 50 m zone intercepts along dip, has been designed by the Company to provide the drilling density acceptable for resource estimation under CIM definitions. All diamond drilling on the property to date has been from surface.

Geological Setting

Regional Geology

The West Graham property is situated in the southwest area of the Sudbury Igneous Complex (SIC) South Range. The SIC straddles the boundary between the Archean-aged Superior Geologic Province to the north and west, and the Southern Province of early Proterozoic age (Huronian) to the south and east. The Grenville Front, the northern margin of the Grenville Province, lies about 10 km to the southeast of the SIC.

Superior Province rocks consist of granitic intrusives and gneisses and minor volcanic rocks of the Levack Gneiss Complex that have been dated at 2,700 Ma. These were deformed and metamorphosed at 2,640 Ma and subsequently intruded by northwest trending Matachewan dikes. The Southern Province metavolcanic and metasedimentary formations were deposited between 2,490 Ma and 2,200 Ma and extensively intruded by sills and dikes of Nipissing Diabase circa 2,200 Ma.

Local Geology

The SIC is an elliptical, layered intrusive body forming the walls of the Sudbury Basin that is 60 km long and 28 km wide. The SIC itself is 2.5 km to 3 km thick at surface. SIC igneous rocks dip about 35º to 45º towards the centre of the basin on the north side and up to vertical on the south. SIC rocks dip sub-vertically in the Graham Township area. The West Graham property itself straddles the SIC-basement contact east adjacent to the Lockerby Mine (Figure LM-1).

Also see "Lockerby Property – Geological Setting – Regional Geology and Local Geology" for a more detailed description of the West Graham Property.

Property Geology

The northern portion of the West Graham Property straddles the contact of the lower norite unit of the SIC and the Creighton Pluton. The contact dips at 45º to 50º to the north. A discontinuous sublayer norite is exposed on the western portion of the property at the SIC contact. The sublayer unit, identified by diamond drilling, occurs above the basal contact of the SIC and is unusual in terms of both its stratigraphic location and composition. This sublayer unit contains fragments of granite and norite.

The southern portion of the property is underlain by the Creighton Pluton which consists of fine-grained, porphyritic quartz monzonite. Large gabbroic xenoliths and crosscutting zones of Sudbury Breccia are common. Sudbury Breccia occurs as numerous dyke-like and irregular bodies within the granite pluton. Breccia zones vary from a few centimetres

to several tens of metres in width. The Sudbury Breccia on the property is composed of a dark grey granite matrix containing fragments of granite, gabbro, amphibolite, quartz, and rarely ultramafic rocks. Some of the Sudbury Breccia contains biotite, chlorite and carbonate alteration.

Quartz diabase dikes varying in width between one and three metres cut all SIC and basement rocks. The dikes appear to be fault-related and trend in two directions across the property. The youngest rocks on the property, olivine diabase dikes of the Sudbury Dike Swarm, are up to 20 m wide and have extensive strike length.

Disseminated pyrrhotite, pentlandite and chalcopyrite mineralization is exposed in outcrop and has been intersected in drill holes in the norite above the sublayer norite and the SIC contact. Drilling has confirmed the presence of both contact and hanging wall hosted nickel-copper sulphide mineralization between 45 m and 475 m vertical depth. The Conwest deposit is located 1.5 km east of the Lockerby Mine Depth Zone and approximately 500 m up dip from the East Zone. The Conwest deposit is undeveloped, whereas the East Zone down dip was developed and mined by Falconbridge above the mine grid system 2,900 m RL (1,055 m depth) on five sublevels to the 30 Level overcut. The East Zone mineralization is controlled by a nose structure of norite/sublayer in the footwall that plunges from west to east at 40º. The Conwest deposit is at the top of the nose structure where the dip begins to steepen and reverse to the south. The Conwest deposit dips an average of 53 º north, "pant legs" (bifurcates) down dip and to the east, and then occurs in parallel sheets of nickel-copper mineralization on its east side.

Exploration

After executing a letter of intent in August 2005, the Company completed 14.8 line km of magnetometer surveys and 11.8 line km of deep penetrating, gradient induced polarization surveying. Nine diamond drill holes totaling 2,564 m filled–in and traced mineralization in the Conwest deposit north and down dip towards the Lockerby East Zone.

Mineralization

The Conwest deposit is located on the northwest portion of the West Graham Property. The contact style mineralization, as traced by drilling, forms a continuous body striking east-west and dipping 53º north. The Conwest deposit extends from 40 m below surface to a depth of approximately 475 m. Sulphides occur in the norite above the sublayer norite and at the SIC contact. As modeled at 0.3% NiEq, the zone ranges from 1.7 m to 66 m thick and strikes for 375 m with a dip extent of up to 533 m. At depth, the Conwest deposit is interpreted to be contiguous with the Lockerby Mine East Zone. Drilling has tested the Conwest deposit to the west boundary of the West Graham Property where the mineralization continues onto the Corridor Claim held by Vale Inco.

The Conwest deposit is composed of disseminated, blebby, stringer and semi-massive sulphide zones hosted entirely within the norite unit some 30 m to 100 m above the SIC asement contact. The nickel mineralization is generally low grade, however, higher grade zones in excess of 1% Ni have been intersected within the broader envelope of disseminated sulphides.

Pyrrhotite, chalcopyrite, and pentlandite are the dominant sulphides within the zone. The nickel content of sulphides is 8% to 10% and is high for the Sudbury camp, reflecting the relatively pentlandite-rich nature of the sulphides. Within the resource wireframe contoured at 0.3% NiEq, the nickel in sulphide averages 8.25%.

In addition to the norite, sulphide mineralization has been observed in the sublayer norite, the footwall contact of the SIC and in the granitic basement. Finely disseminated, and joint fillings of, chalcopyrite, accompanied by platinum, palladium and gold mineralization, have been intersected over narrow widths at some distance into the footwall granites. The best values assayed in the Falconbridge drilling occurred between 20 m and 60 m below the SIC-basement contact.

Recent Drilling by the Company

In 2006, the Company drilling expanded the Conwest deposit and tested the SIC contact to the east and down plunge by diamond drilling 21 holes for 9,711 m. Selected holes were surveyed down hole by UTEM (large loop time domain electromagnetic survey) and PEM (pulse electromagnetic) geophysical methods.

The Company completed 21 holes totaling 5,190 m of fill-in drilling on the Conwest deposit in 2007 and an additional 11 holes totaling 4,772.5 m in 2008. The drill hole spacing, at approximately 25 m sections and 30 m to 50 m zone intercepts along dip, has been designed to provide the drilling density acceptable for resource estimation under CIM definitions. The Company is completing a metallurgical study of the Conwest deposit concurrently with the resource estimate.

The Company completed a total of 8 diamond drill holes representing 8,392 metres of core in 2009. The drill program was designed to geophysical platforms for the Radio Imaging borehole geophysical surveys that provide an interpretive measurement of the conductive properties of the footwall lithologies between the selected diamond drill holes. Selected diamond drill holes were surveyed using borehole Gyro surveys.

All diamond drilling on the property to date has been from surface.

Geotechnical data available for the Company series holes, including RQD measurement, fracture/breaks density and disking recording, indicates that core recovery and rock quality is generally very good (70% at 100% RQD) and there is thus only small potential for problems with sample representativity for assaying. Scott Wilson RPA's visual inspection of the core confirmed generally excellent core recovery in mineralization.

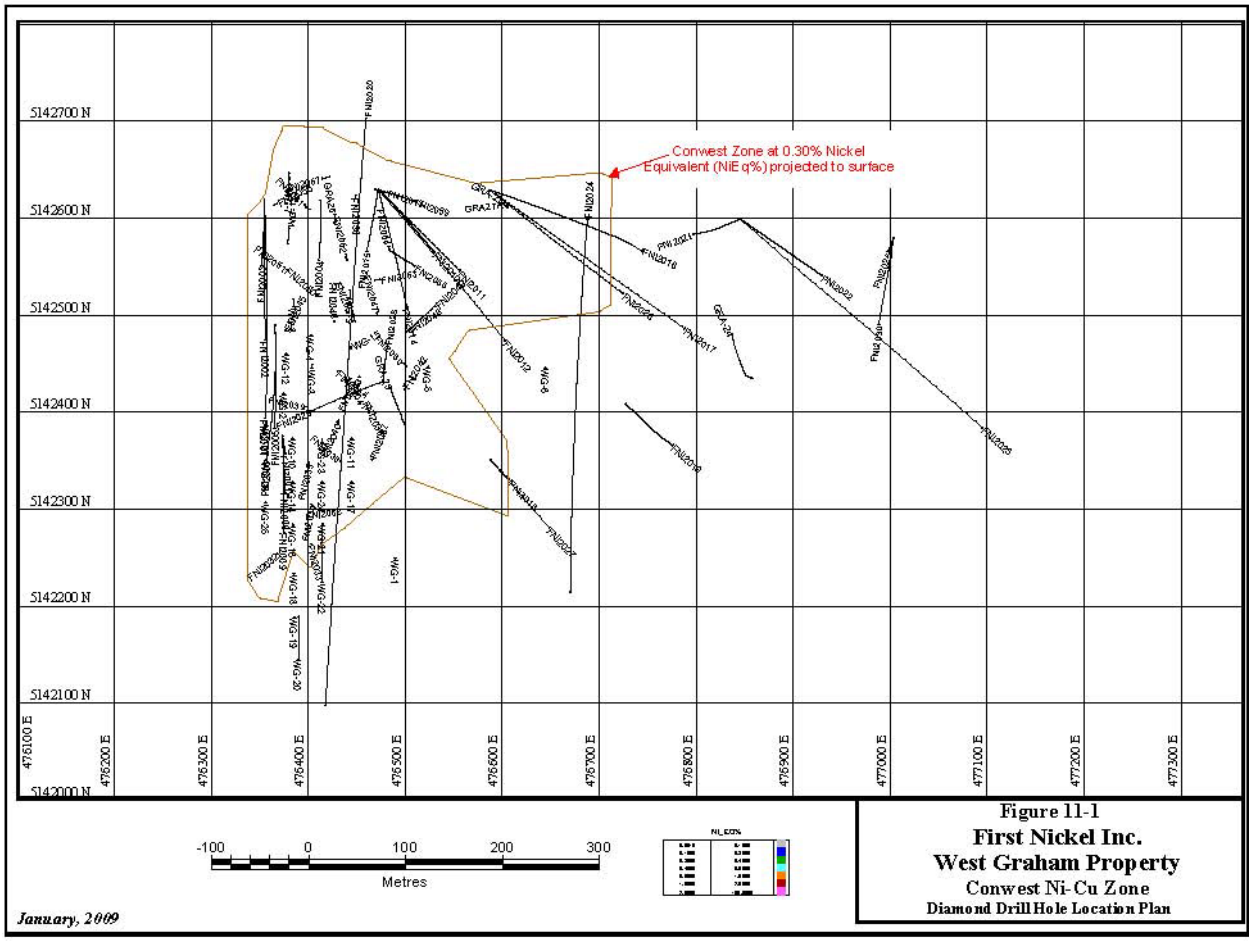


Figure 11-1
First Nickel Inc.
West Graham Property
Conwest Ni-Cu Zone
Diamond Drill Hole Location Plan

Sampling, Analysis and Security of Samples

From August of 2005 to March of 2007 and throughout 2009, sample preparation and analyses for drill holes were as follows: core samples are sent for assay at the SGS Mineral Services (SGS) preparation facility in Garson, Ontario, where they are dried, crushed to 75% passing 2 mm (10 mesh), rifle split to 250 g, and pulverized to 85% passing 75 microns (200 mesh). The specific gravity of prepared sample pulps is determined by pycnometer. One extra selected pulp per drill hole batch is retained for future testing at a second independent laboratory. SGS sends the pulps to Toronto (SGS XRAL) for analysis of nickel, copper, cobalt (sodium peroxide fusion with ICP-OES finish), gold, platinum, palladium (fire assay-lead collection with ICP-OES finish), sulphur (Leco furnace), and silver (aqua regia digestion, AAS).

SGS Lakefield Research/XRAL	
Element	**Detection Limit**
Ni	5 ppm
Cu	5 ppm
Co	0.5 ppm
Au	1 ppb
Ag	1 ppm
Pt	1 ppb
Pd	1 ppb

From March of 2007 to December 2008, the Company's procedures were as follows: split diamond-sawed core samples from drill holes FNI2031 to FNI2062 inclusive were sent for initial preparation to Accurassay Laboratories, a commercial laboratory in Lively, Ontario. The core was dry crushed to 90% passing 8 mesh (2.38 mm) and split in a multi-gate Jones Riffler until a 200 g to 400 g sample split was produced. Riffler rejects were bagged and returned to the Company. The 200 g to 400 g sample was bagged and shipped via Manitoulin Transport to Accurassay in Thunder Bay, Ontario.

At Lively the crusher was tested and calibrated to 90% passing 8 mesh daily. The crusher was cleaned with compressed air after every sample, and the crushing area and crusher were cleaned and "wiped down" after each job. If there was visual evidence of contamination after a given sample, the crusher was wiped down immediately.

In the Accurassay Thunder Bay laboratory, the sample split is pulverized to 90% passing 150 mesh (106 μm) using a ring and puck pulverizer. A silica-clean of the pulverizer is performed between each sample to prevent cross-contamination. Pulps were homogenized and further split to prepare pulp duplicates for the various analytical methods. One extra pulp per drill hole batch is retained for further testing at a second independent laboratory. Specific gravity measurements are done by pycnometer on sample pulps.

Samples were analyzed at the Accurassay laboratory for nickel, copper and cobalt using sodium peroxide fusion with an ICP-AES finish; for gold, platinum and palladium by fire assay collection with an AAS finish; and for silver by aqua regia digestion and AAS finish. Specific gravity measurements are performed on pulps by pycnometer at the Accurassay laboratory.

Accurassay ships sample pulps for sulphur analysis to International Plasma Laboratories in Vancouver via Priority Post (Canada Post) where they are analyzed by LECO furnace.

Detection limits for the Accurassay are:

Element	Detection Limit
Ni	0.005%
Cu	0.005%
Co	0.002%
Au	5 ppb
Ag	1 ppm
Pt	15 ppb
Pd	10 ppb

In Scott Wilson RPA's opinion, the the Company's sampling and assaying is industry standard and adequate for mineral resource and mineral reserve estimation.

The Falconbridge sampling was likely carried out at Lakefield Research using methods similar to those used by the Company at the SGS XRAL laboratory. The preferred method of Lakefield Research in the past for Ni, Cu and Co has been sodium peroxide fusion with ICP finish.

Little information is available regarding the Conwest assaying for nickel and copper. Cobalt, platinum, palladium, gold, sliver and sulphur were not assayed.

Data Verification

Access to the database was provided to the Company by Landore. A review of the data was initially completed by William E. Brereton, P.Eng, prior to the execution of the Landore Option Agreement.

Subsequent reviews of the data have been completed by the Company's personnel. Given the age of much of the data and inability to verify diamond drill results by the Conwest Group, the Company is unable to substantiate if the work met the standards of the day and/or if the data can be relied upon. It is the opinion of the Company that the Falconbridge work completed in 1988 and 1989 met or exceeded standards of the day and that the data can be relied upon.

Scott Wilson RPA did not carry out any independent sampling and assaying to verify the project sampling and assaying. Core from the Conwest drilling was stored in outdoor wood racks which have partially collapsed and location of specific samples for resampling to could not be reliably done. Scott Wilson RPA examined core for two drill holes to compare and confirm the Company's assayed grades with Scott Wilson RPA's visual estimates from split core.

Scott Wilson RPA ran verification routines on the the Company's data after importing the files to Gemcom Systems International Limited GEMS v.6.14 software. GEMS has stringent verification routines that are not found in other mining software. First pass after loading the Company's CSV data files, hole GRA-27 was found to have one zero length interval at 953.10 m, an artefact of the Company's practice of using the last 0.10 m of the hole to record the end of the hole i.e. "EOH". No other discrepancies, such as from-to errors and out of sequence or overlapping assays or lithologic units were found.

Scott Wilson RPA obtained the hard copy assay/analysis certificates for the drilling and checked assay results for 22% of the drill holes against assay entries in the drill hole database. In the initial check, Scott Wilson RPA found 11 nickel and copper entries that were transposed

compared to the drill hole logs for hole WG-5. All WG series holes were subsequently reviewed since the likelihood of errors is higher, with respect to modern digital transfer, because of manual transcription from the 1960's logs. Three additional errors for copper values were found and corrected in holes WG-1, 8 and 12. These errors were corrected in the resource database.

For some Accurassay values below detection limit (BDL), the Company has entered the value as the detection limit x 0.1 versus the conventional approach of multiplying by 0.5. Scott Wilson RPA notes that the BDL entries appear to be inconsistently applied particularly for silver. Three silver entries for FNI series holes were found to be 0.01 g/t higher in the database versus the certificate, likely from a re-assay. None of these disparities have a material effect on resource estimation.

Scott Wilson RPA's field checks on the collars of four holes, including one Falconbridge and one Conwest hole, were all within five metres of that recorded in the resource database, well within the limits of accuracy of the hand held GPS instrument used.

In the down hole survey file, the initial readings for the collar for 45 FNI and five GRA series holes are missing and for the purpose of import to GEMS software for review, missing 0 distance down hole entries were substituted by data from the FNI collar file that also includes collar location and hole length. Down hole readings with the magnetic field based instrumentation does not survey within the drill hole casing. Scott Wilson RPA notes that there are discrepancies of up to 6º in azimuth between the gyro down hole survey records for the collar and the collar file entries and questions whether the collar records are as-planned or as-built. In the former case, some of the 50 holes lacking the surface downhole entry in the survey file and using the as-planned entry may have inaccurate spatial representation in 3D space.

Two GRA series vertical holes contain blank azimuths and these were reset to 360º.

FNI2033 and FNI2034 have duplicate down hole distances with different azimuths and dips posted. This resulted from the non removal of the initial uncorrected magnetic reading (10ºW) in the database. Since the holes are near vertical, the hole trace in 3D is virtually unaffected with no impact on modelling.

Scott Wilson RPA briefly examined down-hole surveys for excessive deviation indicating possible spurious readings/database entries and as an indication of overall drilling quality. Scott Wilson RPA notes that the FNI series has less deviation and better quality surveying and/or drilling compared to the older holes. This is in part due to larger drill tooling. Hole FNI2023 appears to have a spurious reading at 20 m depth. For the older Falconbridge holes surveyed at larger intervals, there is higher deviation and holes GRA-27, GRA-27A and GRA-26 appear to have spurious readings that should be addressed. Hole GRA 26 shows some extreme readings, and flattening in the lower portion of the hole. It should be reviewed and resurveyed if possible.

The Company follows rigorous quality assurance/quality control (QA/QC) protocols which include the insertion of standards and blanks for each drill hole batch of core samples. One pulp duplicate sample is taken from each batch and analyzed at a second commercial laboratory (SGS Laboratories, Toronto).

The Company's analytical work prior to March 2007 was completed at SGS Laboratories, with the pulp duplicates being analyzed at ALS Chemex. Historic analytical work by Falconbridge was completed by Lakefield Research in Lakefield, Ontario, now SGS Lakefield. All are independent, commercial certified mineral laboratories.

Each drill hole sample lot has a blank sample and certified nickel reference standard submitted to the laboratories (SGS and Accurassay) by the Company at a frequency of at least one blank or standard per 25 samples. Drill holes with less than 25 samples had one standard submitted. Ten reference standards have been used from Geostats Pty Ltd of Perth, Western Australia. Of these, two are less than 1% Ni with the others ranging up to 4.58% Ni.

Standards and blanks are checked by the Company personnel upon receipt from the lab to assure the quality of assaying is maintained. In the case of the reference standard's or blank's failure to analyze in the acceptable error field, the sample batch was re-analyzed from the pulps stored at the laboratory. Importation of the failed batch into the FNI Fusion Database is prohibited by the software.

Assay values are compared to expected results from visual estimates recorded in drill logs. In the event the assay values are not in reasonable agreement with the visual estimates, the core or core photographs are re-examined to confirm or revise the sulphide visual estimate. Where the sulphide visual estimate is considered reasonable, the sample(s) are re-analyzed either from the pulps or rejects, or from re-sampled (quartered) core.

Correlation between elements (e.g. Ni and S) is also examined to determine data quality. Where the data does not correlate as expected, the sample(s) are re-analyzed, either from the pulps or rejects, or from re-sampled (quartered) core, if necessary.

The extra pulps requested with the original analyses were sent for check analysis at other independent, commercial mineral laboratories. Scott Wilson RPA has not reviewed the results of the check assaying.

Assay results are received digitally and integrated into the Fusion drill hole database in order to eliminate data transfer errors, and are also received by hard copy certificate for filing.

Scott Wilson RPA examined the analyses for the Company's reference standards and control blank samples. For Ni grades above 2% the reference standard analyses tended to be slightly low for three standards and accurate for one standard (Figure 14-1). For the 1.1% to 1.2% Ni standards, the analyses were at the standard mean value or slightly above with one standard at the borderline of acceptability (mean ± 3ϕ). The low grade standards in the 0.3% to 0.4% Ni range, returned acceptable results. Overall the reference standards were with acceptable limits.

Blank sample grades were plotted in sequence with respect to acceptability thresholds of 3 x detection limits (Figure 14-2). The plots show some noise above the threshold for Ni and Cu but not at levels that impact on the assaying. Similarly for Pt, Au and Ag there is some noise with one Pt value above threshold. Scott Wilson RPA notes that if silver and the other precious metals were payable, alternative analytical methods would be necessary to achieve lower detection limits consistent with the low levels of the precious metals in the zone.

Scott Wilson RPA compiled and examined the precision for Ni and Cu pulp duplicates from Accurassay laboratory's internal QA/QC as exported from the the Company's Fusion database and cross reference to original assays (Figure 14-3). Linear correlation coefficients (R2) for Ni and Cu are acceptable at >98%. Relative difference plots show some noise with most assays falling within the 5% envelope, particularly for assays above detection and within resource grades.

Envelope	**±5%**	**±10%**
Ni	84%	94%
Cu	88%	96%

Ni shows a slight bias for the original to be slightly lower than the duplicate. The pooled relative standard deviation (PRSD) for the original-duplicate pairs is 10% for Ni and 8% for Cu. PRSD for base metal analyses on pulp replicates is generally expected to be ≤ 5% but 10% is within the limits of acceptability.

In view of the three drilling and sampling campaigns by different operators spanning some 47 years from the Conwest work, Scott Wilson RPA briefly examined grade distributions for nickel assays within the resource wireframe by means of QQ plots with respect to the the Company assays (Figure 14-4). The nickel assays were also normalized by using grade thickness to avoid differences in sampling lengths campaign to campaign. The plots indicates that the Falconbridge assaying is close to the Company's for most the grade range up to 0.9% Ni where after Falconbridge grades are lower. The Conwest assaying appears to be somewhat higher as indicated by a higher mean nickel grade.

Assaying	**Count**	**Ni%**
FNI	1,548	0.42
Falconbridge	67	0.38
Conwest	1,395	0.48

Examination of grade distribution indicates that the higher grades (≥1% Ni) for the Conwest holes clustered around the 200 m elevation at the top of the zone and are proportionately more than in the nearest FNI holes. Further examination shows the higher grades are mostly from three holes and these holes are on one section and in sequence WG-25 to 27 possibly indicating a batch assaying problem occurred. Scott Wilson RPA recommends twinning one or more of these Conwest holes to confirm the higher grades in this area of the deposit.

Other than the possibility of a problem in assaying for the three Conwest holes as described above, in Scott Wilson RPA's opinion the sampling and assaying for the Conwest Zone is acceptable for resource and reserves estimation.

Mineral Resource and Mineral Reserve Estimates

The resource estimate was prepared by conventional 3D computer block modeling based on surface diamond drill hole data and utilizing ordinary kriging for grade interpolation. Grade was estimated for Ni, Cu, Co, Pt, Pd, Au, S and nickel equivalent (NiEq). The estimate was

constrained by geological interpretation and a wireframe model based on contouring a NiEq grade of 0.3%. NiEq factors are based on Ni, Cu and Co grades and are derived from metal accountability in the Company Xstrata Offtake Agreement. The factor is: NiEq% = Ni% + (0.32 x Cu%) + (0.53 x Co%). The precious metals are generally low and not payable.

The resource is estimated on the West Graham property to within 5 m of the Vale Inco Corridor Claim boundary assuming a pillar will be left allowing for independent mining on both sides of the north-south property boundary. Resources tied up in the pillar are reported independently. The resource was classified into indicated and inferred mineral resources based on drill hole/sampling density. Appropriate validation checks were performed to ensure estimate is reasonable. Table 17-1 summarizes the mineral resources.

TABLE 17-1 MINERAL RESOURCES

First Nickel Inc. West Graham Property, Conwest Deposit, Sudbury, Ontario

(as of October 10, 2008)

Tonnes (000's)	Ni%	Cu%	Co%	Au g/t	Pt g/t	Pd g/t	Ag g/t	S%	Ni Eq%
Indicated Resource									
8,550	0.45	0.31	0.01	0.03	0.07	0.02	1.91	2.43	0.55
Inferred Resource									
2,000	0.40	0.30	0.0	0.0	0.1	0.0	2.1	2.10	0.50
Boundary Pillar									
270	0.57	0.33	0.02	0.02	0.06	0.02	1.29	3.00	0.68

Notes:

(1) CIM definitions were followed for Mineral Resources.

(2) Mineral Resources are estimated within a mineralization wireframe cut-off grade of 0.3% nickel equivalent.

(3) Nickel equivalent is derived from the the Company -Xstrata Off-Take Agreement, NiEq%=Ni% + (0.32xCu%) + (0.53xCo%).

(4) Mineral Resources are estimated using an average long-term nickel price of US$7.00/lb and a C$/US$ exchange rate of $0.90.

(5) Resources are estimated from a depth of 45 m below surface to a depth of 557 m.

A process flow chart was followed to provide a framework for the resource estimation. The estimate was undertaken using Datamine Studio Version 2.1.1518.0, using Standard Precision and creating Standard Precision files.

Drill hole data (collar coordinates, down hole surveys, assays and lithology) were exported from the Company's Fusion database in CSV (comma delimited) format and imported into Datamine. The cut-off date for the geological and analytical data was October 10, 2008.

Once imported into Datamine, various functions were used to generate basic statistics and highlight missing fields. As well, drill holes were viewed in conjunction with surface mapping to visually inspect collar locations and the trace of holes.

Drill hole segments greater than 0.30% NiEq were considered for inclusion in constructing the mineralized wireframe. The selection of 0.30% NiEq is based on preliminary price-recovery-incremental operating cost estimates for nickel as tabled below. Mining is assumed to be bulk underground at >2000 tpd.

Conwest Zone Cut-Off Grade Estimate	
Bulk Underground Mining Cost ($/tonne)	$35.00
Incremental Mining Cost[(1)] ($/tonne)	$21.00
Milling ($/tonne)	$15.00
G&A ($/tonne)	$3.00
Total Incremental Operating Cost ($/tonne)	$39.00
Long Term Ni Price (US$/lb)	$7.00
US Exchange Rate	$0.90
Ni Recovery/Payable	76.0%
Incremental Ni Cut-off Grade	**0.30%**
Breakeven Ni Cut-off Grade	0.41%

Notes:
(1) 60% of mining cost

Metallurgical Studies

During the third quarter of 2008 a composite sample was prepared from drill core and submitted to SGS Lakefield Research Limited, Lakefield, Ontario for preliminary metallurgical test work consisting of sample preparation and rougher kinetic tests that will provide an estimate of the recovery characteristics for the Conwest deposit. Samples for compositing were selected so as to provide a head grade of 0.5 nickel equivalent (NiEq= Ni%+0.32*Cu%+0.53%*Co%) assuming low grade bulk mining, obtain samples of differing mineralogy and styles of mineralization, and to be spatially representative of the deposit.

The Company received the final report from SGS Lakefield Research Limited on the Conwest deposit metallurgical test program in June 2009. A representative composite sample from the Conwest deposit was subjected to a conceptual level metallurgical test program that included chemical characterization of the sample, preliminary rougher and cleaner floatation tests and environmental characterization of the rougher tails to quantify the acid-generating potential. The results from the rougher recovery test were 84.5% and 92.6% recovery of Ni and 85.5% and 93.4% recovery of Cu. The best 1st cleaner concentrate grade was 8.5% Ni and 6.0% Cu, but resulted in a significant reduction in nickel recovery. SGS concluded that the Conwest sample fell in line with similar ore types from the Sudbury region.

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Environmental Considerations

The Company is taking the necessary steps to ensure a minimal impact to the local environment as a result of its exploration activities. Added care is taken to ensure no drill cuttings flow into

the local watershed and absorbent fibres are used around all motors and working parts to collect any inadvertent drips of petrochemical. All wastes are transported from the site and deposited into a licensed land fill or recycling facility.

3.4 Other Mineral Properties

The Company also has interests in the following mineral properties:

- Dundonald property;
- Raglan property; and
- Belmont property.

3.4.1 Dundonald Property

The following information is derived from the following technical report prepared in accordance with the requirements of NI 43-101,

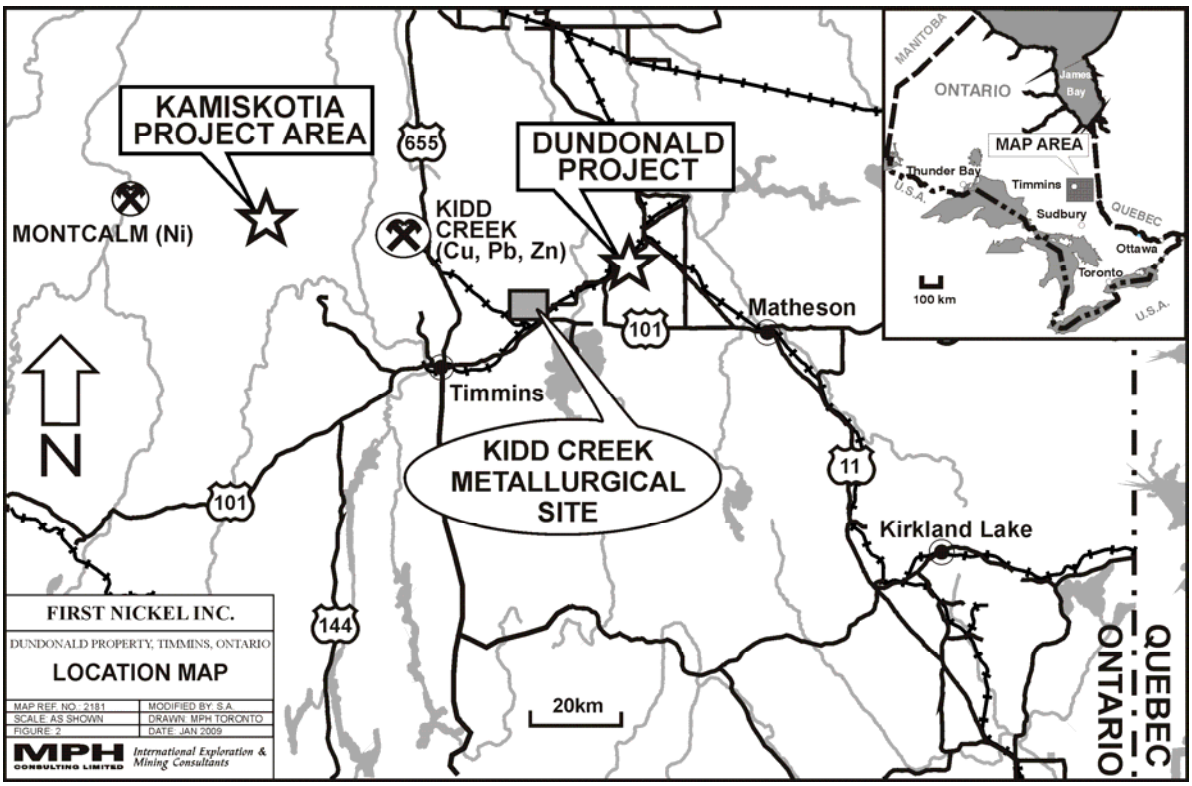
> "*Technical Report on the Dundonald Project, Dundonald and Clergue Townships, Porcupine Mining Division, Ontario*" dated January 30, 2009, (the "**2009 Dundonald Technical Report**") which was authored by G.A. Harron, P.Eng., of MPH Consulting Limited ("**MPH**"), who is a "qualified person" and "independent" to the Company as those terms are defined in NI 43-101;

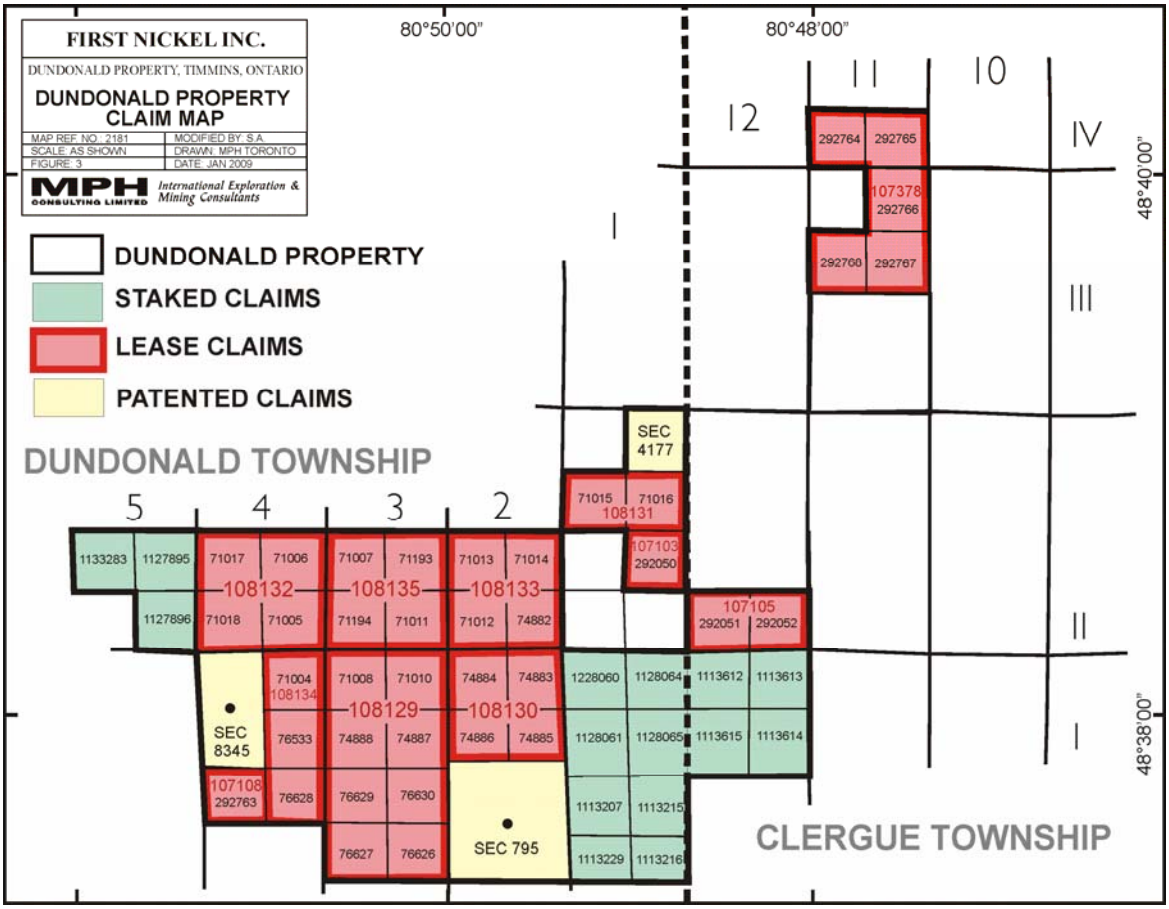
but, has been updated by the Company to the date of this AIF by its Vice President of Exploration, Paul Davis, M.Sc., P.Geo., also a "qualified person" under NI 43-101. A complete copy of the 2009 Dundonald Technical Report, portions of which are quoted verbatim or paraphrased herein, are available for inspection upon request from the Company's head office, as well as on SEDAR.

Property Description and Location

The Dundonald Project is owned 100% by the Company. It is situated approximately 60 km northeast of Timmins, Ontario and consists of 60 mineral claim units. Mining and surface rights ("MRO+SRO") are attached to 30 mineral claim units covering approximately 497.9 hectares in Dundonald and adjacent Clergue Township, and 30 mineral claim units having mineral rights only ("MRO") cover approximately 469.4 hectares, for an aggregate of 967.4 hectares.

The Company is the recorded holder of a 100% interest in the mining rights of certain mineral claims ("claims"), situated in Dundonald and Clergue townships Porcupine Mining Division, Ontario, as follows:


KAMISKOTIA PROJECT AREA
MONTCALM (Ni)
655
KIDD CREEK (Cu, Pb, Zn)
DUNDONALD PROJECT
Matheson
101
Timmins
KIDD CREEK METALLURGICAL SITE
N
101
11
Kirkland Lake
144
20km
QUEBEC
ONTARIO
MANITOBA
ONTARIO
James Bay
MAP AREA
Thunder Bay
U.S.A.
Timmins
Sudbury
QUEBEC
Ottawa
Toronto
100 km
U.S.A.
FIRST NICKEL INC.
DUNDONALD PROPERTY, TIMMINS, ONTARIO
LOCATION MAP
MAP REF. NO.: 2181
MODIFIED BY: S.A.
SCALE: AS SHOWN
DRAWN: MPH TORONTO
FIGURE: 2
DATE: JAN 2009
MPH CONSULTING LIMITED
International Exploration & Mining Consultants



- 11 unpatented contiguous claim units, in Dundonald Township and a second contiguous group of 4 claim units in Clergue Township. Both mining and surface rights are attached to the claim units except for claim unit 1127896 in Lot 5 Concession 2, Dundonald Township, from which the surface rights have been severed. A total of approximately 224 ha of mining and surface rights ("MRO and SRO") and approximately 16 ha of MRO rights are attached to the staked claims.

- 38 surveyed and leased mining claim units arranged as 33 contiguous units in Dundonald and Clergue Township, is comprised of 31.780 ha of mining and surface rights and 453.483 ha of mining rights only. A second and separate internally contiguous group of 5 leased claim units comprised of 81.089 ha of attached mining and surface rights is located in Lot 11 Concessions 3 and 4 in Clergue Township.

- 3 patented claims contiguous with leased claims in Dundonald Township with both SRO and MRO attached. Patented claim 4177 in Dundonald Township is subject to a 1.5% net smelter royalty payable to a third party.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Dundonald Project is located within the municipal boundaries of the town of Iroquois Falls, in northeastern Ontario. There is good access to the Dundonald Project, which is located within 1-2 km of Highway 67, a paved road that connects Highway 101 to Highway 11. A 2.6 km bush road (the "Big Rock Road") extends south from Highway 67 at a point 5 km northeast of McIntosh Springs. This leads onto the northern portion of the property, past the Dundeal/Terminus zones and into the Dundonald South nickel area.

Forestry and drill roads provide general access throughout the property. The southwest edge of the property abuts the Edgewater Road, another local road off Highway 67, from which the property can be easily accessed by foot or ATV/snowmobile. In the south, it is possible to drive within 200-300 m of the south property boundary along the Finn Road, another local concession road. A trail (now used by the local snowmobile club) extends north off the concession road. The trail follows the southern and western claim boundaries of the property and joins up with the southern extension of the Edgewater Road.

The area in general is poorly drained, a reflection of the low relief. Mean elevation in the area is on the order of 300 m ASL. Outcrop exposure overall averages less than 5%. Topographically, the property is dominated by the Dundonald Sill, a large layered mafic intrusive body. This forms a local topographic high feature. The sill and immediately adjoining areas support mature jack pine forest. The northeast part of the property has been logged in the last 40 years and is covered by alders and immature jack pines. The southwest corner of the property was once used for agricultural purposes and is now an overgrown open field. The balance of the property is of low relief and is covered by mixed poplar and black spruce forest.

The climate is typical of northern boreal forest regions, with extended periods of sub zero temperatures though the winter months of November through March. More temperate conditions prevail during the summer months with temperatures in the range of 15-24° C with moderate precipitation. Geophysical surveys and diamond drilling (and mining) activities can be executed during all seasons.

The claim units comprising the project have surface rights attached to approximately 51% of the total area (497 ha). The author concludes that the property has the sufficiency of surface area for future exploration or mining operations including potential tailings storage areas, potential waste disposal areas, heap leach pads areas and potential processing plant sites. However additional purchases of surface rights may be required for optimal land use purposes.

The City of Timmins is the largest source of mining and related commercial services, and an abundant pool of managerial and skilled labour in the area. Timmins is serviced by modern telecommunications, commercial airlines, rail service and truck transportation.

History

Falconbridge explored for nickel and base metals on and in the vicinity of the Dundonald Project intermittently since circa 1960, following the discovery of nickel mineralization in what is now termed the Dundonald South area. The Dundeal nickel zone, in the northern portion of the property, was discovered by testing an HLEM anomaly in 1989. The small but very high grade

Dundonald Beach lens was also discovered at this time in the Dundonald South area. The Terminus base metals zone was discovered in 1990 during drilling at the Dundeal nickel zone. In 1991, Falconbridge prospecting discovered a PGE occurrence in the Dundonald Sill, which was named "Casey's Showing".

Falconbridge estimated in 1966 that a portion of the Dundonald South zone, as it was then known, contained an "undiluted ore reserve" of 140,650 tons grading 2.73% Ni, 0.11% Cu (Kilburn, 1966). In 1990, Coutts (1991) estimated the "mineral inventory" of the Dundonald South zone at between 0.5 and 0.75 million tons grading 1.5% Ni and 0.03% Cu using a 1.0% Ni cut-off and to a 150 m vertical depth (Falconbridge, 1999). In both cases the reported "reserves" are equivalent to inferred resources" in the CIM Standards on Mineral Resources and Reserves -

The Company is not treating these historical resource estimates as NI 43-101 defined resources (or reserves) verified by a qualified person and the historical resource (or reserve) should not be relied upon. Records that would allow an appraisal of the calculation methodology and the reporting protocols are not available for inspection.

The Falconbridge exploration work consisted of geological mapping, MAG and HLEM surveys, as well as AEM, AMAG, and AVLF-EM surveys over the entire property. During the forty year period Falconbridge drilled 168 holes totalling 40,515 m. Selective borehole and surface TDEM and Mise-a-la Masse surveys were conducted by Quantec Geoscience mainly focused on Dundeal and Terminus zones.

In 2000, Falconbridge optioned the property to Hucamp Mines Ltd. In addition to nickel, the potential for bulk tonnage PGE deposits in the Dundonald Sill was of considerable interest to Hucamp at the time given the prevailing strong PGE prices. Four areas were stripped of overburden by Hucamp during the summer and fall of 2000. These areas included the eastern extension of the Dundonald Beach high grade nickel lens; the "Casey's PGE Showing" area; the Dundeal nickel zone, and the Hucamp-discovered "Mighty" PGE Showing area. All areas were mapped and channel sampled by qualified geologists and technicians. Three trenches were blasted into the Dundonald Beach showing exposing fresh, high grade Ni-Cu-PGE sulphide mineralization.

Hucamp Mines Ltd. completed a total of thirteen diamond drill holes representing 2,043 m of drilling on the Dundonald Project from April 2001 to May 2001. Two of these holes were drilled to test the potential extension of the Kelex Ni-Cu zone onto the Dundonald Property from the adjoining Alexo Property; four were drilled to test a potential western extension of the Dundonald South zone; four were drilled on the Dundonald South zone itself and three were drilled on the Dundonald Sill. All four holes at Dundonald South contained nickel values of potential economic interest.

The Company entered into an agreement with Falconbridge dated January 9, 2004 regarding the exploration and development of the Dundonald Project. Falconbridge agreed to transfer and assign to the Company all of its right, title and interest in the property upon the completion of an initial public offering ("**IPO**") of the Company. The consideration payable to Falconbridge was a 19.9% interest in the Company after the completion of the IPO and exploration expenditures of $1,750,000 on or before December 31, 2005. The Company assumed operatorship of the

Dundonald Property and, in addition to work on the nickel zones, gave an undertaking to drill one or more holes on the Terminus base metal zone by no later than December 31, 2005. All the above conditions were met prior to December 31, 2005 and the Company is the 100% owner of the Dundonald Project.

The Dundonald Property was acquired by the Company from Falconbridge based primarily on its potential to host economic Kambalda-style Ni (+/- Cu, Co, PGE) sulphide deposits associated with ultramafic volcanics in the Dundonald South and Dundeal zones. The Company also recognized the potential for lower grade but larger tonnage nickel deposits in the Dundonald South area, for Cu-Zn base metal deposits in the Terminus/Dundeal area and for bulk tonnage PGE deposits in the Dundonald Sill.

The Company conducted surface exploration work on the property from July 1, 2004 to November 30, 2005. The exploration work consisted of a major diamond drilling program (178 holes totalling 30,452.5 metres), borehole geophysics, geological mapping, ground geophysical surveys, minor surface mechanical stripping and environmental work.

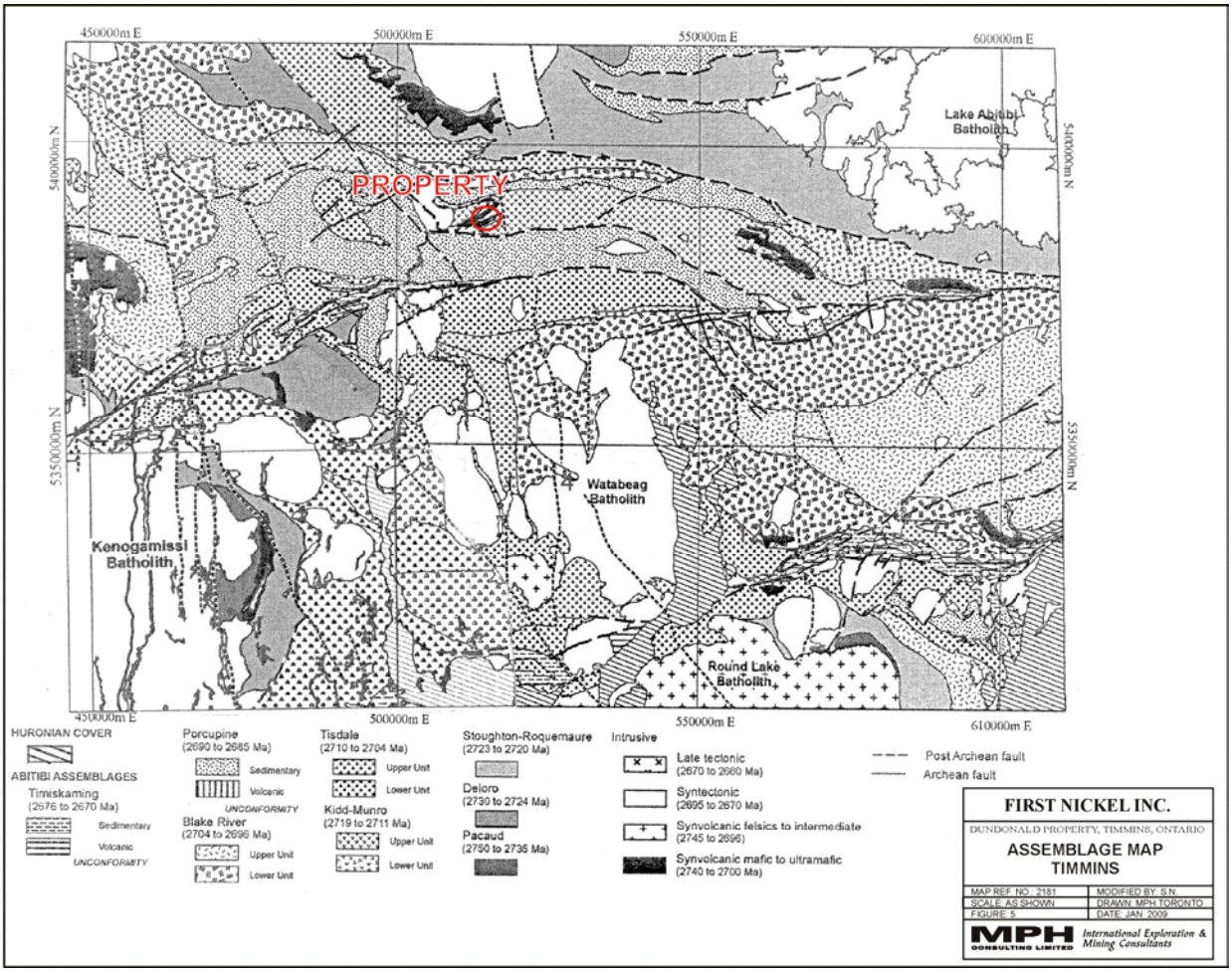
In July 2007, the Company signed an option agreement with 2115563 Ontario Inc. that was assigned to Avion Resources Inc. in November 2007. Avion terminated the option agreement in 2008.

Regional Geology

The Archean age Abitibi Greenstone Belt is one of the largest and best-preserved greenstone belts in the world. It occurs within the Superior Province of the Canadian Shield and contains nine supracrustal lithotectonic assemblages spanning the period from 2750 Ma to 2675 Ma. The Dundonald project is hosted in a mixed group of Kidd-Munro assemblage and Lower Tisdale assemblage rocks.

Current geological thinking suggests that the Abitibi greenstone belt formed via autochthonous processes with much of the current complexity being structurally superimposed by multiple regional deformation events. Mantle plume activity is considered as the source of the supracrustal volcanic rocks deposited in intra-cratonic basins, rifted arc and back arc tectonic settings.

The Dundonald dome structure is located north of the Destor Porcupine Fault Structure. The Alexo and Dundonald South deposits occur along the southern margin of this domal structure, which is predominantly composed of Kidd-Munro assemblage mafic and ultramafic (greenschist metamorphic facies) volcanic rocks (2717 Ma).



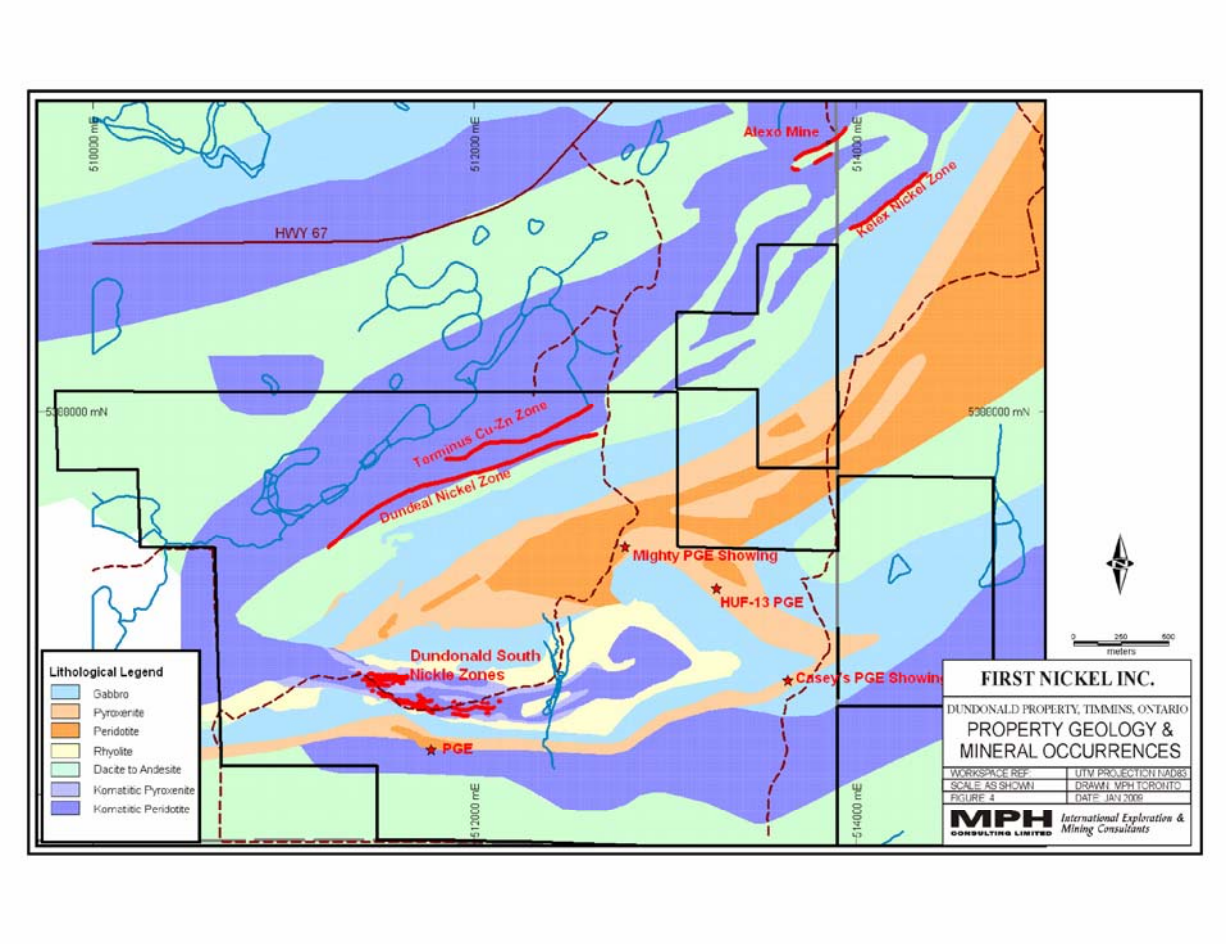
Property Geology

The stratigraphic succession on the Dundonald Project is fairly complex consisting of a late differentiated tholeiitic intrusion, the Dundonald Sill, which intrudes a sequence of komatiitic volcanic rocks and calc-alkaline felsic volcanic rocks. The oldest rocks present on the property are massive intermediate feldspar crystal ash to lapilli tuff interlayered with massive to pillowed mafic volcanics. The rocks are light grey, fine grained, rhyodacitic hetrolithic breccia consisting predominantly felsic fragments in a more mafic groundmass.

Overlying the lower unit are komatiite volcanics, up to 600 metres thick that host the nickel and base metal mineralization on the property. The komatiites have variable widths with interlayered graphitic argillite and can be traced for 6 km along strike.

There appears to be at least four separate komatiitic sequences within the property boundaries. The komatiitic rocks are variably composed of rubbly flow tops, spinifex-textured zones, with olivine orthocumulate, mesocumulate, and adcumulate zones. Flows with a basaltic or pyroxenitic composition tend to alter to chlorite-tremolite rocks and flows with a dominantly olivine composition alter to mainly serpentine and magnetite.

Above the komatiites are massive mafic volcanics. The komatiitic basalts are light grey to greenish grey, very fine-grained, non-magnetic, homogenous, massive thin flows. Rare fine quartz filled amygdules are occasionally present. The basalts exhibit a typical komatiitic flow sequence of a fine acicular lower margin grading into a coarser intrusive texture central portion which grades into a fine pyroxene spinifex zone and then into flow top breccias. Locally they are intensely silicified. The basalts tend to be concentrated at the basal portion of the komatiitic sequence in contact with the northern rhyodacitic volcaniclastics. They are also intercalated with the komatiitic pyroxenites.



The rock units on the property, including the Dundonald Sill, have been folded about a major northeast-southwest trending, sub-vertical axial plane with the fold axis appearing to plunge to the southwest. Top directions indicate the fold to be anticlinal. The rock units in general strike northeast-southwest and dip steeply with tops to the north or south depending on the position relative to the fold axis.

At least two fault systems are present. Early, west-northwest striking faults have offset the stratigraphy, most prominently near the anticline fold nose where at least 400 m of dextral movement has occurred. Later north-northwest trending sub-vertical faults offset stratigraphy in

the Terminus/Dundeal area according to Falconbridge but they do not occur in the Dundonald South area.

Exploration

In September 2004, a 3.2 km transient pulse electromagnetic survey was carried out by Quantec Geophysics ("Quantec"), Timmins, Ontario over the western portion of the Dundonald South grid. The Company drilled three short holes testing this conductor. Graphitic sediments were observed to be the cause of the conductor.

In early October 2004, a 4.4 km transient pulse electromagnetic survey was carried out by Quantec over the eastern portion of the Dundonald South grid.

The Dundonald South grid was extended 1.45 km eastward in May 2005, to cover the extension of the Dundonald South ultramafic volcanic package. The extended grid consisted of lines cut 50 m apart, the same as the Dundonald South grid. A detailed magnetic survey with readings every 5 m was conducted by Exsics Geophysics, Timmins Ontario over the grid. Quantec also conducted a transient pulse electromagnetic survey over the eastern grid.

Geological mapping of the grid covering the eastern extension of the Dundonald South ultramafic volcanic package was carried out in June and July, 2005. This mapping was conducted by MPH personnel.

A total of 54 rock samples were collected during the mapping. No significant nickel, copper or cobalt values were returned from the samples.

In September 2005, a small area (50x50 m) was stripped by backhoe surrounding the pit. This exposed area was washed and mapped. Geological mapping revealed patchy intercumulus and net-textured sulphide mineralization in a small area, approximately 13 x 23 meters, extending southward from the old pit. A total of 36 channel samples were cut over the net-textured sulphide mineralization.

The Company's diamond drilling program commenced on the Dundonald Project on July 8, 2004. A single diamond drill rig operated by Bradley Bros. Limited, Timmins, Ontario began testing the near surface portion of the north sector of the Dundonald South area. A second Bradley Bros. diamond drill rig was added to the program on August 4, 2004. The second drill rig started by testing the south sector of the Dundonald South area. This second drill rig was moved for short time periods to the Dundeal/Terminus area and western Kelex extension area and then returned to the Dundonald South area. In late May, 2005 the diamond drilling program was reduced to one drill rig which continued testing the Dundonald South area until late November 2005.

<u>Dundonald South Area</u>

A total of 26,070.5 metres of diamond drilling (155 drill holes) were completed on the Dundonald South Area during the 2004-2005 drilling program. All drill holes were NQ size and

the casing was left in the majority of the holes. Holes that were infill definition drilling had their casing pulled and their bottom portion cemented. The collars of each diamond drill hole of the program were surveyed by Talbot Surveys Ltd., Timmins, Ontario utilizing a real time Global Positioning Satellite (GPS) receiver with an accuracy of 15 mm horizontally and 20 mm vertically. The GPS receiver was referenced to a base point on the property. In addition approximately 90% of the old Falconbridge and Hucamp drill hole collars, in the Dundonald South and Dundeal/Terminus areas, were surveyed. As a result of this, the old Falconbridge and Hucamp drill hole data was incorporated in to the resource estimation database. Two old holes (74-04 & 74-05) not located in the field were omitted, as based on their old grid co-ordinates their lithology does not correspond to the Company drilling lithologies.

Diamond drill hole collars were sited in the field by a hand held compass. In some cases the holes were set up in highly magnetic areas which necessitated the surveying of the azimuth and dip of the hole's casing. This surveying was conducted by Talbot Surveys Ltd. The diamond drill holes were drilled northward in the Dundonald South area with the exception of FNS05-77 that was oriented 320 degrees. The down hole orientation of each hole was surveyed by Bradley Bros. utilizing a single shot Reflex instrument. Survey readings were taken beginning 15 m below the casing and then every 50 m with a reading at the end of the hole. The single shot Reflex instrument compass is affected by magnetism and thus the azimuth reading within any magnetic rock in a hole was not utilized. Five holes of the program were also surveyed by Reflex Instrument North America Ltd. of Timmins utilizing a Maxibor orientation survey system, which is not affected by magnetism. The results of the Maxibor survey on each hole were comparable to their Reflex instrument single shot dip angle results.

Borehole transient electromagnetic surveying (BHTEM) was conducted on select holes where deemed appropriate by the geologist. A total of 77 drill holes (14,348 m) were surveyed in the Dundonald South Area. The BHTEM surveying was successful in guiding the targeting of drill holes to follow the trend of the nickel mineralization in the Dundonald South Area.

A borehole Mise-a-la Masse survey was conducted by Quantec on the A, F and G zones at the end of June 2005. A hole for each zone containing a massive sulphide section was selected as a source hole, into which the Mise-a-la Masse current probe was inserted. The corresponding zones in surrounding holes were surveyed to test for a conductivity connection to the source hole.

Dundeal/Terminus Area

A total of 3,397 metres of diamond drilling (13 holes) was completed in the Dundeal/Terminus area from August 2004 to May 2005.

A BHTEM survey was conducted on Hole FNT04-1 and a strong in-hole conductor was detected at the Terminus zone intersection. Readings were elevated for 200 metres up hole of the zone which corresponds to the very steep north dip of the zone (85 degrees).

Prior to commencement of the Dundonald Property drilling program, Quantec was commissioned by the Company to conduct a comprehensive review and re-interpretation of previous Falconbridge downhole EM surveying in the Dundeal/Terminus area.

The near surface up-plunge projection of the Dundeal nickel zone, was tested by eight drill holes. Borehole pulse electromagnetic surveying was conducted on all eight drill holes (1,200 m).

Western Kelex Extension Area

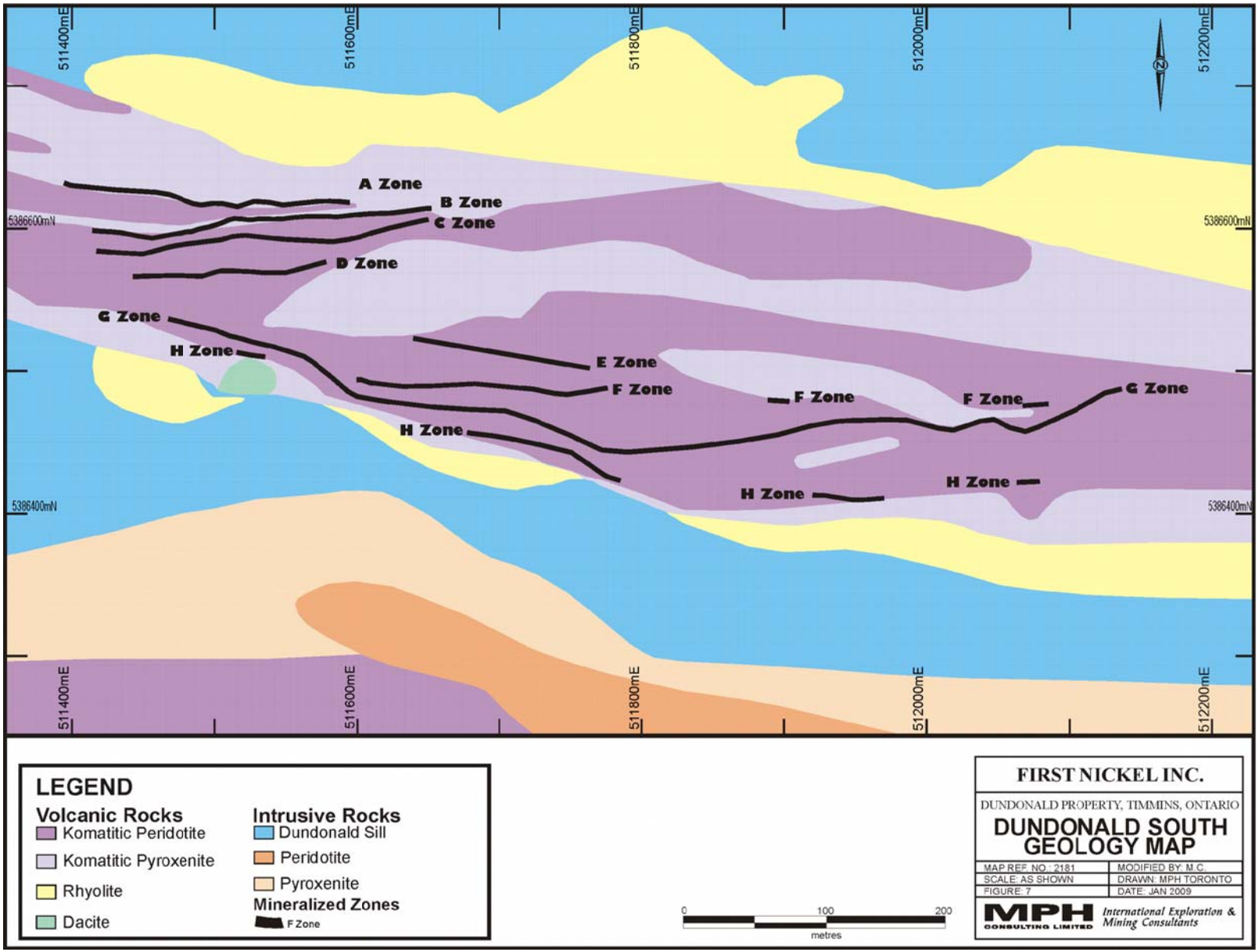
A 4.2 km survey grid was established with lines spaced 25 m apart in the east half of the lot and 50 m apart in the west. A detailed high-resolution ground magnetic survey with readings every 5 m apart was carried out by Exsics over the grid. This was followed by a transient pulse electromagnetic survey performed by Quantec.

Ten short drill holes totalling 985 m, were drilled in October and early November 2004.

Mineralization

Dundonald South Nickel Zones

The Company's diamond drilling program outlined eight east-west nickel-enriched horizons, A to H, in the Dundonald South komatiitic volcanic sequence. The physical attributes of the nickel-rich sulphide zones are summarized in the following table.


511400mE
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5386400mN
A Zone
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C Zone
D Zone
G Zone
H Zone
E Zone
F Zone
F Zone
F Zone
G Zone
H Zone
H Zone
H Zone
LEGEND
Volcanic Rocks
Komatitic Peridotite
Komatitic Pyroxenite
Rhyolite
Dacite
Intrusive Rocks
Dundonald Sill
Peridotite
Pyroxenite
Mineralized Zones
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GEOLOGY MAP
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MODIFIED BY: M.C.
SCALE: AS SHOWN
DRAWN: MPH TORONTO
FIGURE: 7
DATE: JAN 2009
MPH CONSULTING LIMITED
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A Zone

The A zone is associated with a 10 m thick komatiitic peridotite flow unit in komatiitic pyroxenite/basalt rocks below the central peridotite flow sequence.

The A zone is a fracture system with brassy pendlandite/pyrrhotite mineralization consisting of thin fracture fillings, patches, and semi-massive to massive zones. The main portion of the A zone is a very steep west plunging to vertical high grade nickel lens below a vertical depth of 150 m. This lens is 20 to 25 m wide and is open to depth, below a vertical depth of 260 m. The A zone continues below into the pyroxenites, and is situated north of a graphitic argillite sedimentary unit.

The A zone PGE values are typically 1.5 to 2.8 g/t. with the exception of Hole FND04-16 that returned 11.84% Ni and 17.55 g/t. PGE's over 1.7 m. A petrographic study of this section revealed the PGE's to be controlled by the nickel arsenic sulphide minerals gersdorffite and nickelline.

B Zone

The B zone straddles the basal contact of the Central komattiitic peridotite flow sequence. It is hosted by either the peridotite base or underlying pyroxenite top. Stratigraphically it is located 10-20 m above and south of the A zone.

B zone mineralization consists of disseminations, blebs to weak net-textured pyrrhotite /pentlandite with local massive sulphide veins. The B zone is lower grade (1-3.8% Ni over 1-1.5 m) than the A zone and has low PGE values (<1 g/t.). The more significant B Zone drill intersections occur as a shoot, in the keel area of the peridotite flow. The shoot (10 m wide) is open to the west along a shallow plunge of 15 degrees.

C Zone

The C zone is situated within peridotite at the base of the Central komatiitic peridotite flow sequence, about 10-20 m above the B zone. Sulphide mineralization consists of fine-grained pyrrhotite/pentlandite disseminations and blebs. The C zone is sporadic and discontinuous. A possible nickel mineralized shoot plunges 10° degrees westerly and is open to the west. The zone was known from two historical Falconbridge intersections. The Company's drilling was not successfully in expanding the zone.

D Zone

The D zone occurs in the Central komatiitic peridotite flow sequence, at the top of the E flow. The zone is sporadic and discontinuous. Sulphide mineralization consists of fine-grained pyrrhotite/pentlandite disseminations and blebs in peridotite flow rocks. The D zone nickel grades range from 1 to 3% Ni over narrow intersections 0.5 to 2.6 m.

The up plunge trend of the D zone was also tested by three 2004-2005 drill holes and returned similar nickel values. Falconbridge DDH 64-10 returned 2.57% Ni over 3.5 m. in the same zone. The area surrounding this intercept was tested by the Company's drilling program but no significant values were returned from the D zone.

E Zone

The E zone is situated within a trough at the base of the Central komatiitic peridotite flow sequence at about 200 m below surface. It is hosted by the older E flow and to the west may be correlated with the C zone. The E zone is comprised of at least two stacked nickel mineralized horizons (E and E2) that dip very shallowly 15 to 20° to the south. These horizons occur at the base of the E flow unit. The E and E2 horizons have been traced by limited drilling for 130 m. They are cut off to the east and are open down plunge to the west.

Sulphide mineralization consists of 3 to 10% very finely disseminated fine-grained brassy pentlandite and lesser brown pyrrhotite. The higher sulphide content sections of 5 to 10% and locally 20% contain blebs and fine stringers to microfractures of pentlandite/pyrrhotite.

F Zone

The F zone occurs between the 100 to 200 m below surface. It has a shallow variable dip 40-70 ° to the south. It is continuous for 180 metres and disappears to the west, but is possibly open to the east. The F zone is principally located near the base of a thick magnetic peridotite flow, (F flow) of the Central komatiitic peridotite flow sequence. It lies stratigraphically 20-70 m below the "younger" G zone.

F zone mineralization is comprised of blebs, fine stringers, semi-massive and massive brassy fine-grained pentlandite/pyrrhotite. The F zone PGE values lie in the range of 1-2 g/t. and are generally lower than the G zone values.

The F zone contains two high grade nickel shoots both plunging west. It is narrow 7-8 m with a very shallow 20° plunge to the west. The lower shoot has a moderate plunge of 40° to the southwest and is 12 m wide. It begins at a 130 m vertical depth and extends to a 175 m vertical depth. This shoot is possibly open down plunge to the west but it would be very narrow.

G Zone

The G zone is located in the upper portion of the main komatiitic peridotite flow sequence and sub-parallels the Dundonald Sill situated 30-50 m to the south. It is more specifically located at the base of a 30-50 m thick peridotite-dunite flow unit that typically overlies a thin pyroxenite flow. The G zone has four high grade nickel shoots all plunging southwest and open down plunge.

The eastern shoot is about 12 m wide and plunges 25° to the west. It starts at a vertical depth of 65 m and is open below a vertical depth of 100 m. The central east shoot which is 15 m wide, begins below a vertical depth of 65 m and has a moderate plunge of 45°. It is open up and down plunge.

The central west shoot is 15 m wide and begins at a vertical depth of 100 m. It has a moderate southwest plunge of 45°and is open below a vertical depth of 160 m. Intersections consisted of 10% brassy very fine-grained pentlandite/pyrrhotite blebs and minor massive fine stringers.

The west shoot is the most continuous and the longest shoot of the four. It is 120 m long and 15 m wide. It plunges 45° to the southwest. The west shoot starts at a vertical depth of 75 m and has been traced to a vertical depth of 170, where the zone remains open.

The typical G horizon mineralization sequence begins with 0.5% scattered brassy pentlandite/pyrrhotite blebs (2 to 5 per m) that grades into 3-5% larger blebs and fine fractures The blebby halo is typically 5 to 10 m thick locally up to 18 m and averages 0.25-0.3% Ni. While the blebby/fracture section nickel content is from 1 to 5%. The blebby/fracture section grades into small massive patches to rarer net textured brassy pentlandite/pyrrhotite (5-15%) that has a nickel grade of 3-7%. This occasionally is followed by semi-massive (10-15% Ni) to massive (15-25% Ni) pentlandite/pyrrhotite at the base. There appears to be an underlying zone below the main G horizon from 511680-511800E with a couple of massive sulphide sections.

H Zone

This is the “youngest” of the nickel sulphide zones. It is a discontinuous zone typically located 30 m north of the southern Dundonald Sill. It is comprised of fine-grained disseminations to blebs of pyrrhotite/pentlandite within the upper spinifex textured thin peridotite flows (m-scale) of the Central komatiitic peridotite flow rocks. Nickel values typically range from 1 to 2.76% and are lower than the F and G zones. The H zone was well drill tested above a vertical depth of 100 m.

A petrographic study of several samples from the A, F & G zones reveals that the most abundant sulphide mineral present is pentlandite. It is intergrown with pyrrhotite. Nickeline a minor nickel bearing phase occurs as inclusions in pyrrhotite and pentlandite. Chalcopyrite is the only copper carrier occurring as inclusions and blebs within pentlandite, pyrrhotite and the volcanic groundmass. Trace pyrite inclusions are present in pyrrhotite. Rare sphalerite associated with

chalcopyrite occurs as inclusions in pentlandite and pyrrhotite. Also rare galena inclusions are present in pentlandite, siegenite-skutterudite and chalcopyrite grains. Although gersdorrfite is a major PGE host in the high grade PGE mineralization of the A zone it is rare in the low grade PGE mineralization. In the low grade, michenerite and sperrylite (80-85% of the PGE minerals) occur as isolated inclusions in pentlandite and siegenite-skutterudite or along pentlandite-silicate grain boundaries.

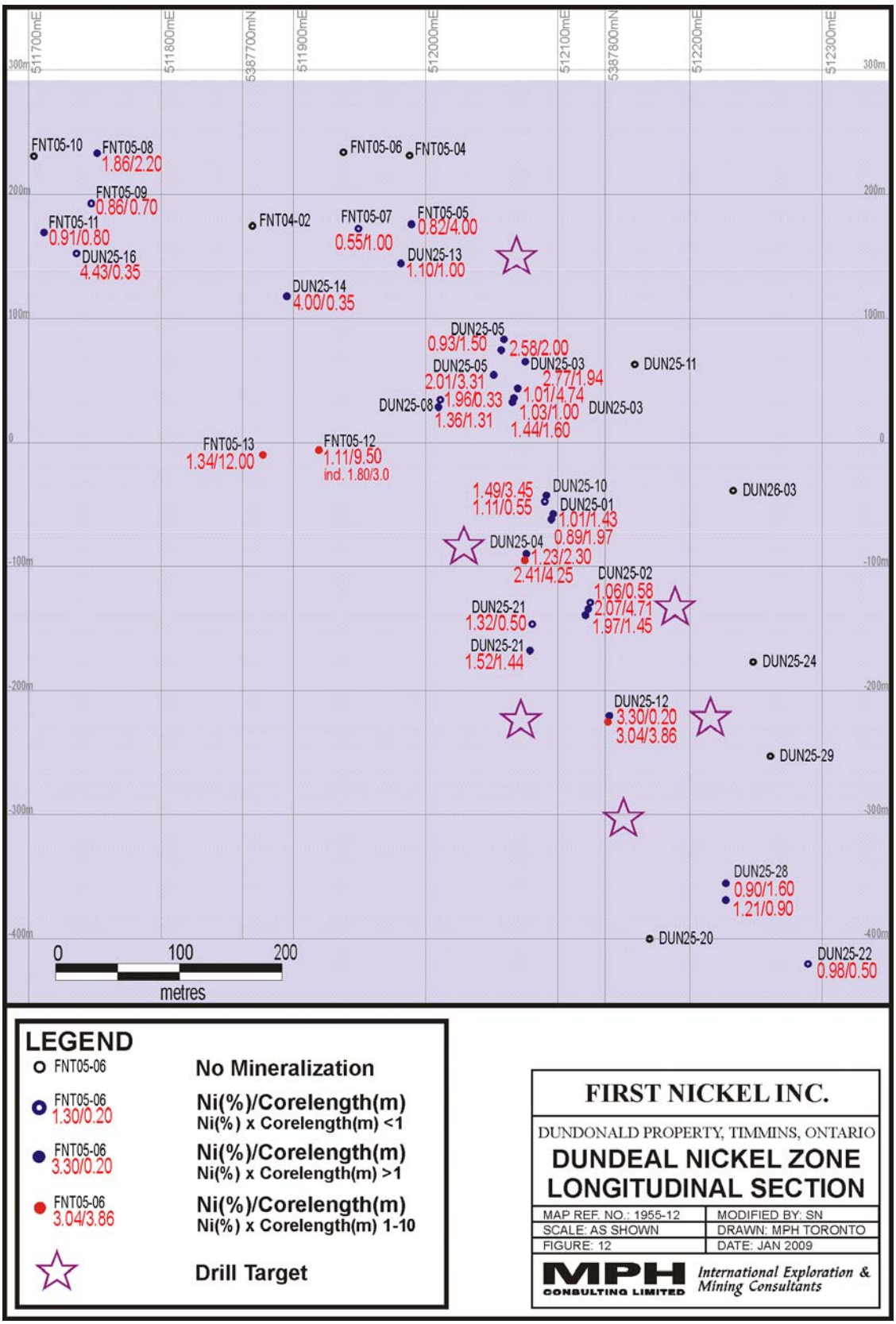
Dundeal Nickel Zone

The Dundeal nickel zone is located 1.3 km north of the Dundonald South area and was discovered in 1989 while testing a ground geophysical anomaly. This nickel zone is located on the north side of a west-plunging antiform, 2.2 km southeast and along strike from the old Alexo Mine. The mineralization here may be at the same stratigraphic level as that at Dundonald South. The host komatiite stratigraphy dips steeply, up to 80° to the north and tops to the north.

Potentially economic nickel mineralization occurs at the base of the Empire Flow apparently controlled by a channel or depression in the footwall volcanic rocks. The zone has been traced along strike for 800 m and to a depth of 700 m below surface. It is presently unclear what the exact orientation of this channel is, but it is indicated to plunge to the northeast, parallel to that at the Alexo Mine to the north. Average true width of the mineralized interval is 2.4 m with grades up to 3.04% nickel. The best mineralized intersections occur in the centre of the channel.

Blebby and disseminated sulphides are the most common forms of nickel mineralization followed by occasional net-textured intervals and finally as rare massive veinlets in the footwall. Pyrrhotite and pentlandite occur in sub-equal amounts along with minor chalcopyrite and rarely sphalerite.

The near surface up-plunge projection of the Dundeal nickel zone, was tested by eight drill holes during the Company's 2004-2005 diamond drilling program. Weak pyrrhotite-pentlandite mineralization was encountered in each hole at the Dundeal horizon. The horizon is situated at the base of a serpentinized komatiitic dunite flow (Empire) overlying a peridotite flow (Foundation). The near surface drilling (~150 m vertical) has disclosed that the Dundeal zone has a moderate north dip of 55°. This is in contrast to the previous Falconbridge drilling of the Dundeal zone where at a vertical depth exceeding 200 m the dip of the flows are much steeper.



LEGEND

FNT05-06	No Mineralization
FNT05-06 1.30/0.20	Ni(%)/Corelength(m) Ni(%) x Corelength(m) <1
FNT05-06 3.30/0.20	Ni(%)/Corelength(m) Ni(%) x Corelength(m) >1
FNT05-06 3.04/3.86	Ni(%)/Corelength(m) Ni(%) x Corelength(m) 1-10
☆	Drill Target

FIRST NICKEL INC.

DUNDONALD PROPERTY, TIMMINS, ONTARIO

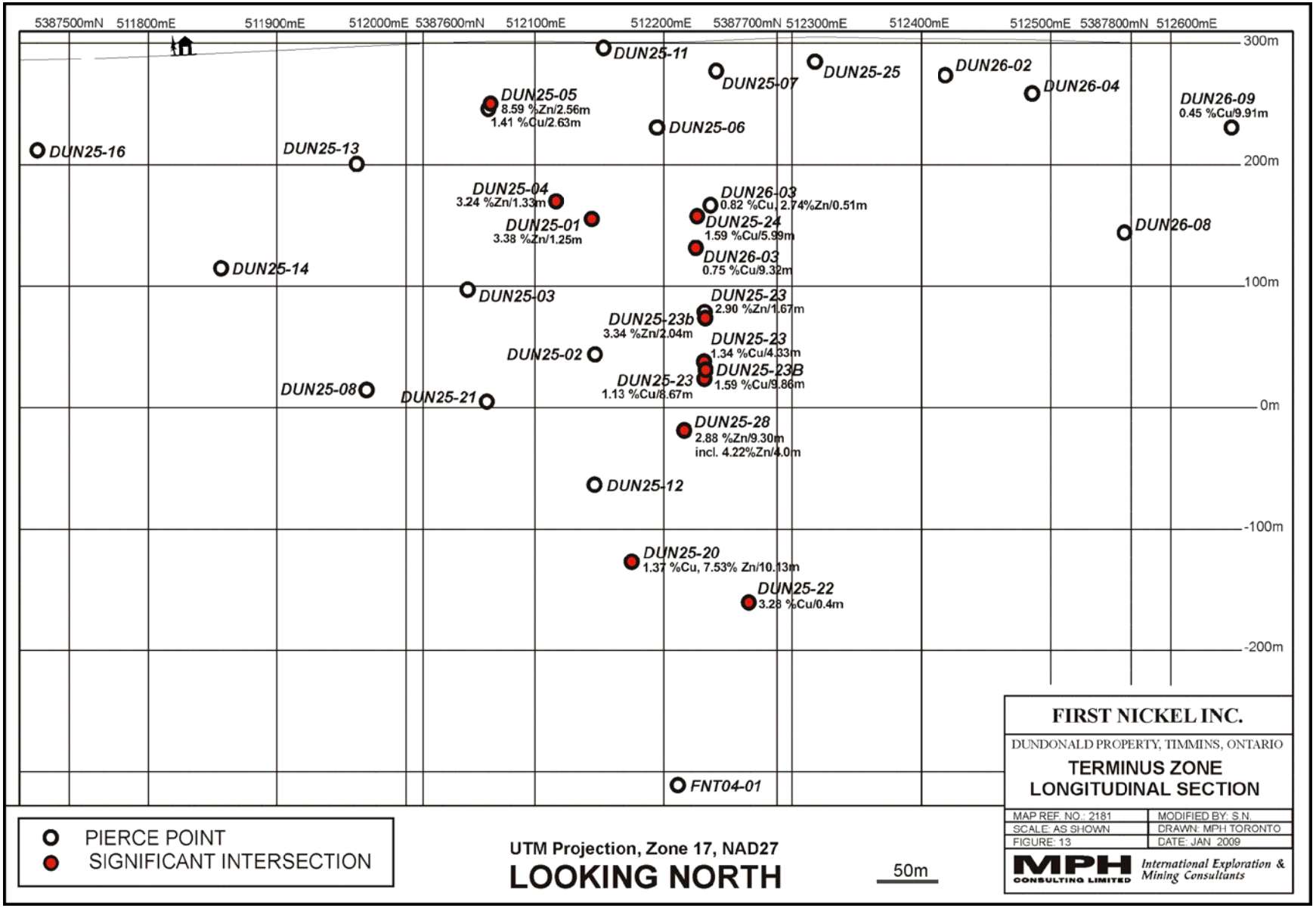
DUNDEAL NICKEL ZONE LONGITUDINAL SECTION

MAP REF. NO.: 1955-12	MODIFIED BY: SN
SCALE: AS SHOWN	DRAWN: MPH TORONTO
FIGURE: 12	DATE: JAN 2009

MPH CONSULTING LIMITED — *International Exploration & Mining Consultants*

Terminus Base Metal Zone

The Terminus base metals zone was discovered by Falconbridge in 1990 while attempting to drill some deeper holes on the Dundeal nickel zone. It is located approximately 140 m stratigraphically above the Dundeal nickel zone. It is hosted by a sequence of predominantly komatiitic basalt with lesser argillite and pyroxenite. The host stratigraphy is up to 56 m thick and thins rapidly to the west. Although proximal volcanic facies have not been observed, a fair amount of paleorelief is present, suggesting a chaotic environment possibly proximal to a volcanic vent. Significant base metals mineralization has been outlined over a strike length of 200 m with an indicated plunge to the southeast. The mineralization occurs as banded (bedded?) semi-massive to massive pyrrhotite with variable sphalerite and chalcopyrite hosted by the argillite, and as lower grade, disseminated to fracture controlled chalcopyrite and pyrrhotite that occurs primarily in the volcanics.


5387500mN
511800mE
511900mE
512000mE
5387600mN
512100mE
512200mE
5387700mN
512300mE
512400mE
512500mE
5387800mN
512600mE
300m
200m
100m
0m
-100m
-200m
DUN25-11
DUN25-07
DUN25-25
DUN26-02
DUN26-04
DUN26-09
0.45 %Cu/9.91m
DUN25-05
8.59 %Zn/2.56m
1.41 %Cu/2.63m
DUN25-06
DUN25-16
DUN25-13
DUN25-04
3.24 %Zn/1.33m
DUN26-03
0.82 %Cu, 2.74%Zn/0.51m
DUN25-01
3.38 %Zn/1.25m
DUN25-24
1.59 %Cu/5.99m
DUN26-08
DUN26-03
0.75 %Cu/9.32m
DUN25-14
DUN25-03
DUN25-23
2.90 %Zn/1.67m
DUN25-23b
3.34 %Zn/2.04m
DUN25-23
1.34 %Cu/4.33m
DUN25-02
DUN25-23B
1.59 %Cu/9.86m
DUN25-23
1.13 %Cu/8.67m
DUN25-08
DUN25-21
DUN25-28
2.88 %Zn/9.30m
incl. 4.22%Zn/4.0m
DUN25-12
DUN25-20
1.37 %Cu, 7.53% Zn/10.13m
DUN25-22
3.28 %Cu/0.4m
FNT04-01
PIERCE POINT
SIGNIFICANT INTERSECTION
UTM Projection, Zone 17, NAD27
LOOKING NORTH
50m
FIRST NICKEL INC.
DUNDONALD PROPERTY, TIMMINS, ONTARIO
TERMINUS ZONE
LONGITUDINAL SECTION
MAP REF. NO.: 2181
MODIFIED BY: S.N.
SCALE: AS SHOWN
DRAWN: MPH TORONTO
FIGURE: 13
DATE: JAN 2009
MPH CONSULTING LIMITED
International Exploration & Mining Consultants

Recent Drilling by the Company

No recent drilling has been completed by the Company on the Dundonald Property.

Sampling, Analysis and Security of Samples

At the drill site core is placed in boxes along with "marker blocks" indicating measured distances down the drill hole from the collar by the drill contractor's personnel. Core is retrieved from the drill site daily and moved to a secure core logging facility. Upon receipt of core from the drill site the amount of core is measured and checked against the drill operators "core blocks" in order to identify any discrepancies. The number of boxes and number of metres delivered are recorded on a "drill core record" computerized form.

Core logging and sampling is conducted within a formal "core shack", with adequate security, lighting, water, temporary core storage and a core splitting work area. Drill core descriptions are entered onto a "diamond drill record" installed on a lap top computer. A geologist marks up sample intervals on the core. Sampling of the mineralization is based on visual observations of alteration, structures and sulphide mineralization with particular attention paid to the presence of pentlandite. Individual sample lengths accommodate lithological and alteration changes, the presence of sulphide mineralization. In general the sample length within the mineralized zone is 1.0 to 1.5 metres. Half cores are sawn off from only one side of a sampling line and bagged with the first part of a three-part assay tag bearing a unique identifier number. The other half of the core is archived with the second part of the three part assay tag bearing an identical unique identifier number fastened to the core box at the beginning of the sample interval.

Records of the sampled intervals and sample numbers are recorded in the computerized drill logs, on a sampling sheet and on the third part of a three part assay tag bearing an identical identifier number as the other two parts of the assay tag. The sampler also completes an assay requisition sheet describing the sample numbers, and requested assay and preparation procedures for inclusion with each batch of samples shipped directly by truck to Laboratoire Expert in Rouyn-Noranda, Quebec.

Security of samples prior to dispatch to the analytical laboratory is maintained by limiting access of un-authorized persons to the secure core handling facility. Detailed records of sample numbers and sample descriptions provide integrity to the sampling process. Labeled samples packed in sealed bags robust enough to survive the journey to the assay laboratory also provide sample integrity. The assay laboratory completes sample preparation operations at their relatively secure locations, and employ bar coding and scanning technologies that provide complete chain of custody records for every sample.

Assay certificates related to the Company's drilling in 2004-2005 have been archived.

Sample preparation and assaying was contracted to Laboratoire Expert ("Labex") of Rouyn-Noranda, Quebec (not certified by ISO/IEC 17025). Each sample was logged in at Labex using "bar codes." Samples were dried prior to crushing the entire sample to 90% passing a -10 mesh screen. From the crushed coarse reject a sub-sample of approximately 300 grams was collected using a Jones riffle splitter. This 300 gram portion was completely pulverized to 90% passing a -200 mesh screen in a ring and puck pulverizer.

From each pulp, a 0.5 g aliquot was collected. All drill core and rock samples from the Dundonald Project were analyzed for nickel, copper, and cobalt by aqua regia digestion followed by atomic absorption analyses. The detection limit was 2 ppm for each element.

If the nickel, copper or cobalt result was over 5,000 ppm then the pulp was re-analyzed by total digestion followed by atomic absorption analyses. The concentrations are reported as a percent and the detection limited is 0.01% for Ni and Cu with the total digestion method.

Nickel mineralized samples comprising zone composites were analyzed for gold, platinum and palladium by lead fire assay atomic absorption finish on a 30 gram sample pulp. The detection limit for the lead fire assay atomic absorption method is 2 ppb for Au, 5 ppb for Pt and 4 ppb for Pd. If the sample result was greater than 1,000 ppb for any element then the sample pulp was re-analyzed by using a lead fire assay collector and a gravimetric finish. The concentrations were reported as grams per tonne.

MPH employed a rigorous external QA/QC program for the 2004-2005 drilling programs. Four nickel standards were employed as checks on the accuracy of nickel assaying conducted by LabEx. A standard pulp was inserted as every 50th rock sample (sample numbers ending in "–25 and -75") sent to the laboratory. The four nickel standards range from a high nickel standard of 4.58% Ni to a low standard of 2984 ppm Ni and were obtained from Geostats Pty Ltd. of Australia. They represent well the range of nickel mineralization found at the Dundonald Project. The LabEx calculated average value of each standard was excellent within 3% or less of the standards value.

Monitoring of the standard results from LabEx was an on going process during the diamond drilling program. Re-assaying of pulps and rejects was occasionally carried out where deemed appropriate.

A statistical review of the LabEx assaying of the nickel standards was carried out in September, 2005. The LabEx assaying of the 1.17% Ni and 3.43% Ni standards was excellent with no sample values falling outside the two standard deviation range of the standard. The LabEx assaying of the 2984 ppm Ni and 4.58% Ni standards was acceptable with 11% and 14% sample values respectively falling outside the two standard deviation range.

There is no indication of any drilling, sampling or analytical procedures that would adversely impact the reliability of the core samples. Core recovery in drill holes at the Dundonald Project in 2004-2005 drill holes was virtually 100 percent, including the mineralized intervals.

Data Verification

The quality of the analytical data for 10 drill holes (14% of the data base) was checked for data entry errors by comparing data found on assay certificates with analytical data entered on drill logs. The analytical data was further checked for data entry errors by comparing the analytical data recorded on drill logs with values plotted on geological plans and sections.

In January 2005, 57 random pulp samples and 28 pulp samples from DDH # FND 04-29 (A zone) were analyzed ALS-Chemex Laboratories in Toronto ("ALS") as a check of LabEx assay results. The FND04-29 Ni values of the A zone showed a high degree of correlation between the

two laboratories. LabEx had estimated the A zone composite to be 5.26% Ni over 15.2 m while the ALS-Chemex estimate was 5.01% Ni over 15.2 m. The Pt, Pd, Cu (<5000 ppm) values correlated well with LabEx being about 10% higher in some cases. The Au values correlated well but four samples were skewed, possibly due to a nugget effect. The LabEx cobalt values of the A zone in FND04-29 samples are higher overall than the ALS-Chemex values. The correlation between the two laboratories for the Cu, Co and Ni ppm analysis of the random pulps was excellent (Montgomery, 2005).

The external checks at ALS-Chemex and the reference standard results, all suggest that LabEx assays show acceptable accuracy

Blank samples used to detect laboratory contamination were also inserted into the sample stream, as part of the external QA/QC program. A sterile granite drill core sample was inserted as every 50th sample (sample numbers ending in "–00 and -50") sent to the laboratory. The assay results of the blanks did not indicate any sample contamination, and were monitored as an on going process during the diamond drilling program.

LabEx internal check analysis procedure included a repeat pulp analysis every 12th sample for every element analyzed. Each sample shipment batch (certificate of analysis) included a standard for the nickel, copper, and cobalt analysis. Each furnace batch of 28 samples analyzed for gold, platinum and palladium included a reagent blank and a standard sample. The precision of the laboratory based on their internal pulp repeat assays was excellent.

LabEx has returned all sample pulps up to hole FNS05-98 to the Company. The remaining pulps were lost at the laboratory. All nickel zone reject samples were returned. The returned pulps and rejects are currently securely stored at the office in Porcupine, Ontario.

Mineral Resource Estimates

MPH was commissioned to prepare an estimate of the resources present on the Dundonald South Project at the end of the 2004-2005 drilling campaign. The estimator was Mr. J.K. Montgomery, P. Geo. (Ontario). The methodology employed follows the CIM Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines adopted by CIM on November 23, 2003 as amended.

A total of 82 sawn NQ drill core pieces (15-30 cm length) were sent to LabEx for specific gravity (SG) determinations. Four samples were from the Dundeal zone and the remainder from the Dundonald South zones. A total of 21 drill hole that intersected the Dundonald South mineralized zones were selected for SG determinations

Each drill core sample was tested in duplicate using the water immersion density determination method at LabEx. The overall average SG of 78 drill core pieces from the Dundonald South zones is 2.92. The average SG for massive sulphide pyrrhotite-pentlandite mineralization is 3.61, semi-massive mineralization is 3.35 and patchy mineralization is 2.69. This is reasonable and correlates with increasing sulphide content.

A correlation between nickel content (Ni %) and specific gravity (SG) was determined by graphing and using statistical analysis. Based on 76 data points, the formula determined was SG= 0.056(Ni %) + 2.57. Using this formula an SG was calculated for all the data points. The calculated SG values were within 15% of the measured SG values for the samples, 96% of the time.

The nickel assays for drill holes intersecting the interpreted mineralized zone (A to H), were initially composited on a length-weighted basis. Composites were calculated using the entire sampled intervals. In order for a composited intercept to be considered for inclusion in the mineral resource of a zone, it had to meet the following criteria:

- A minimum true width of 2.0 m.
- A minimum cut-off grade of 1.5% Ni. Intervals of internal waste were carried, provided the overall cut-off grade was maintained
- Incremental material of less than 1.5% Ni on either end of the composite was not incorporated into the intercept.

In order to meet the minimum grade and width criteria, some composites were augmented. This process involved the addition of sufficient zero grade material in order to meet the minimum length criteria. If this augmented composite sample grades better than 1.5% Ni then it is included in the resource estimation data base.

The composite true width was calculated assuming the strike of the zone to be 090°. The true width formula employed was the composite core length multiplied by the cosine of the hole dip on section minus an allowance for the dip of the mineralized zone to conform to a vertical plane. The zone dip for each composite was measured from the drill section of the composite. The drill hole dip of the composite was calculated from the down hole survey data of the drill hole.

The database consists of all the Company drill holes, Hucamp Mines drill holes and the Falconbridge drill holes with the exception of two old holes (74-04 & 74-05). These two holes were not located in the field and their geology did not correspond to adjacent Company drill holes.

There are a total of 365 drill holes with 14,220 assays in the database. A total of 71 surface diamond drill holes with related assays, surveyed drill collar locations and drill hole trajectories contributed to the inferred resource estimation of the Dundonald South nickel zone. A listing of the database drill holes used for the estimate is summarized in Table 13.

MPH estimated the Dundonald South nickel zones mineral resource utilizing the polygonal method on vertical longitudinal sections, using GEMCOM version 5.55 software.

For the polygonal method, assays are composited across the mineralized zone to a minimum true width, incorporating internal dilution where necessary. Where a drill hole intersects the interpreted zone, the pierce point of the middle of the composite mineralized interval for that hole is projected on to an arbitrary vertical longitudinal section. This section is oriented parallel to the strike of the zone. Polygons with a maximum radius of 10 m were then constructed

around the composite pierce points in 2 D space. If neighbouring pierce points were less than 20 m apart, the polygon boundaries were created at the points where the radii from adjacent composite points were equidistant. No variography was done to evaluate grade spatial continuity of the Dundonald South nickel zones. However, based on the Kambalda style nickel sulphide geological model of high grade nickel and narrow shoot widths, a 10 m radius is reasonable for indicated mineral resource estimation.

The volume of the polygons was calculated by multiplying the polygon area on the longitudinal sections by the true width of the composite. Some near surface polygons were clipped in area if they overlapped above the overburden/bedrock interface on the longitudinal. Volume was then converted to tonnes using the specific gravity formula based on the nickel grade algorithm derived for the Dundonald South nickel zones. The derived formula is SG= 0.056(Ni %) + 2.57.

The tonnage of a zone is the sum of all the tonnage of the polygons on the longitudinal section. No restrictions were imposed on isolated polygons. The average nickel grade for the zone was calculated by taking the cumulative total of the nickel grade-polygon tonnage product and dividing by the tonnage of the zone.

Inferred Mineral Resource Results

The resources estimated in the Dundonald South area are classified as Inferred Mineral Resources as defined by the CIM Standards on Mineral Resources and Reserves. Overall the mineralized zones that meet the grade (> 1.5% Ni) and thickness (2.0 m) parameters are small and isolated. This observation suggests that both geological and grade continuity are not strong features of the resource estimate and only warrant an inferred resource categorization.

The software used to generate the resource provides more of an "order of magnitude" result, which is appropriate for resource estimation purposes at this level of exploration

The contributions of the individual mineralized zones (A through H) to the total known resource is summarized in the following Table. The estimated inferred mineral resource for the Dundonald South nickel zones is 116,000 tonnes grading 3.16% Ni, with the A, F and G zones contributing 67 % of the resource tonnage.

Zone	**Tonnage (tonnes)**	**Avg. N Grade (m)**	**Ni Content (tonnes)**	**Avg. True Width (m)**	**Vertical Depth (m)**
A	18,300 tonnes	4.47%	818 tonnes	3.38 m	40-220 m
B	14,200 tonnes	2.77%	393 tonnes	2.33 m	0-160
C	2,000 tonnes	1.72%	34 tonnes	2.00 m	70-90
D	3,400 tonnes	2.45%	83 tonnes	2.49 m	40-110
E/E2	17,800 tonnes	2.07%	368 tonnes	N/A	180-270
F	24,000 tonnes	2.62%	629 tonnes	2.31 m	50-190
G	35,100 tonnes	3.73%	1,309 tonnes	2.44 m	40-170
H	1,300 tonnes	1.88%	24 tonnes	2.57 m	50

TOTAL	**116,000 tonnes**	**3.16%**	**3,658 tonnes**		

The quantity and grade reported in this inferred resource estimation are conceptual in nature and there has been insufficient exploration to define an indicated mineral resource on the property and it is uncertain if further exploration will result in discovery of an indicated or measured mineral resource on the property.

Metallurgical Studies

The Company has not commissioned any metallurgical test work on mineralization derived from this property.

Exploration and Development

No exploration work has been proposed for the Dundonald project for 2010. A minimal budget has been assigned to complete the compilation of exploration work and generation of new exploration targets.

Environmental Considerations

In June 2004, a surface water sampling program was initiated under the guidance of B.H. Martin Consultants Ltd., Timmins, Ontario. This was carried out in order to acquire the necessary MOE permits for future possible bulk sampling or mining development on the Dundonald Project. The immediate downstream watershed of the Dundonald Property is the North Driftwood Creek. Beginning in June 2004, monthly water quality samples were collected on the North Driftwood Creek at the Finn Road Bridge. The monthly water sampling was continued until September 2005.

Two other water sites were sampled from February to September 2005, in order to characterize the effluent water quality of the Dundonald South Area. The first site was an artesian diamond drill hole that had been diverted to a small sump and the second a beaver dam upstream of a marshy site where surface water from the Dundonald South area would eventually discharge. The marshy site drains south into North Driftwood Creek.

Of all the analyzed elements at these two water sample sites only the iron values were higher than Provincial Water Quality Objectives.

On June 14 and 15, 2004 “background” invertebrates, fish and soil samples were collected. Also an inventory of terrestrial and aquatic vegetation was completed both at upstream and downstream sites, where Dundonald South area surface water discharge would enter North Driftwood Creek. The downstream site was approximately 800 m east of the Finn Road Bridge and the upstream site was approximately 600 m west of the Finn Road Bridge towards McIntosh Lake. These biological samples and the water quality samples were collected in the field by personnel of BZ Environmental Consulting of Timmins, Ontario.

In order to obtain the required information pertaining to the hydrogeological setting of the Dundonald South Area, AMEC directed and supervised the installation of a series of overburden wells. The objective was to characterize these overburden aquifers and nearby surface water features, as well as the potential relationships with possible underground development. The well locations were suggested by AMEC's hydrogeologist in order to ensure adequate site coverage and these locations were subsequently modified and identified in the field by AMEC's field staff and MPH to take advantage of existing site accessibility (i.e., diamond drill trails and cleared areas). Drilling of the monitoring wells by Landcore Drilling of Sudbury Ontario was initiated on September 8 and completed on September 9, 2005. Three of the monitoring wells were sunk and installed on the Dundonald property, hydraulically down gradient of the Dundonald South area between a possible ramp adit location and the McIntosh Lake drainage system. An additional monitoring well was installed up gradient of the Dundonald South area to provide a long-term background monitoring well location and a regional perspective of the groundwater flow system.

The drilling rig selected for the work utilized a track mounted standard soil augering drill rig with 200 mm diameter hollow stem augers and standard split spoon sampling equipment. Soil samples were collected at regular intervals of approximately 0.61 m in each borehole. AMEC then logged the intersected unconsolidated material, noting geological material, texture and color. The boreholes were driven through the overburden materials to the bedrock. The driller then completed the monitoring wells at a nominal diameter of 200 mm using the approved drilling method with 51 mm ID Schedule 40 PVC "Triloc", leak-proof risers threaded to machine-slotted No. 10 slot PVC well screen, three metres in length. An appropriately sized sand pack was established around the well screen to an elevation of at least 0.3 m above the top of the well screen. The remaining borehole annulus around the well casing was backfilled with bentonite slurry, using a positive displacement grouting technique.

3.4.2 Raglan Hills Property

Property Description and Location

The Raglan Hills property, comprises approximately 4,500 hectares in 29 unpatented mining claims in four separate blocks in Raglan, Mayo and Carlow Townships, Renfrew County, Ontario. The property is located approximately 32 kilometres east-northeast of Bancroft, Ontario and is accessed via unpaved roads connecting to Highway 28.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Little infrastructure exists within the property boundaries to the north of Highway 28. A power line runs parallel to highway 28 and provides services to a number of private residences located in close proximity to the highway.

The Company has a comprehensive environmental policy to ensure a minimal impact to the local environment as a result of exploration activities. Added care is taken to ensure no drill cuttings

flow into the local watershed and absorbent fibres are used around all motors and working parts to collect any inadvertent drips of petrochemicals. All wastes are transported from the site and deposited into a licensed landfill or recycling facility.

History

A joint venture agreement was entered into on October 31, 2007 between the Company and Pacific Northwest Capital Corp. on the Raglan Hills property to participate in the exploration and evaluation, and if feasible, the development of any mining and mineral resources on a 50% - 50% participation basis.

The Company and a local prospector signed an agreement whereby the Company has the right to earn a 100% interest, less a 1.5% NSR that can be reduced to 0.5% by paying $1,000,000, in the McCoy Mine Property located in Raglan and Lyndoch Townships by paying an aggregate total of $130,000 cash over 3 years.

The Company and Melkior Resources Inc. signed an agreement whereby the Company has the right to earn up to 80% of the Henderson property located in Raglan Township in Southeastern Ontario. The Company can earn 50% by spending $60,000 on exploration. At the 50-50 point Melkior will decide whether or not to participate in a 50-50 Joint Venture. If Melkior opts not to participate, the Company can earn up to 8% by spending an additional $100,000. At the 80% point, Melkior will participate or dilute to a 1.5% net smelter return royalty. Historic exploration began in the area in 1897 by the Geological Survey of Canada with at description of a nickel-copper showings referred to as the Landolac showing and a description of the Raglan Showing by the Ontario Government in 1944.

Most of the exploration activity occurred on the property in the 1950's and included geological mapping, ground geophysics and approximately 3,000 metres of shallow diamond drilling in 32 plus holes. One drill hole completed by Raglan Nickel Mines Ltd. intersected 30 feet of 0.25% copper and 0.32% nickel and included 4 feet of 0.77% copper and 1.08% nickel.

In the 1980's, a program of geological mapping, petrographic studies and a ground magnetometer survey were completed exploring for favourable environments for platinum group element (PGE) mineralization.

Geological Setting

The Raglan Hills property is underlain by gneissic carbonate meta-sediments, gneissic siliceous meta-sediments, felsic to intermediate meta-volcanic rocks all intruded by sill-like bodies ranging from granites to diorites. The main intrusive body within the property package is the Raglan Hills Meta-Gabbro Complex that is dominated by meta-gabbro with mafic and ultramafic schists. The units identified within the property boundaries all fall within the Grenville Province and have been exposed to high grade regional metamorphism. The area has undergone folding and recrystallization associated with the metamporphism with a northeast structural trend. The area is cross-cut by several west-northwest and northeast trending brittle faults.

Mineralization

Four nickel-copper showings have been identified within the Raglan Hills intrusive complex hosted in meta-gabbro to meta-pyroxenite containing up to 30% pyrite, pyrrhotite, pentlandite and chalcopyrite. The four sulphide occurrences have been named the Landolac, Ameranium, Genricks Lake and Raglan showings.

Based on the association of nickel-copper sulphide mineralization with more mafic pyroxenite bearing rocks, the Company believes potential exists within the conduit system that supplied the magma to the Raglan Hills Intrusive for larger accumulations of nickel-copper sulphide mineralization.

The drill program discovered a new zone of Pt and Pd mineralization on the ML North target and confirmed the presence of Ni and Cu mineralization on the Raglan Nickel Mines showing. A summary of the significant results is provided in the following table.

Hole ID	From (m)	To (m)	Width (m)	Ni (%)	Cu (%)	Pt (gpt)	Pd (gpt)	Pt+Pd (gpt)
Raglan Nickel Mines Showing								
FNB004	24.00	29.80	5.80	0.47	0.64	0.037	0.168	0.205
FNB005	19.40	20.40	1.00	0.86	2.50	0.020	0.315	0.335
ML North Target								
FNB009	9.95	15.00	5.05	0.03	0.00	0.762	1.216	1.978
and	41.70	43.00	1.30	0.01	0.00	0.812	1.276	2.008
FNB010	137.90	140.60	2.70	0.01	0.00	0.659	1.052	1.711
and	144.60	150.60	6.00	0.01	0.00	0.508	0.829	1.337
FNB011	134.00	134.80	0.80	0.00	0.00	0.490	0.706	1.196
FNB012	128.00	129.40	1.40	0.00	0.00	0.420	0.675	1.095

Recent Exploration

The Company and Pacific Northwest Capital Corporation participated equally in the 2008 exploration program that consisted of the interpretation of the airborne geophysical survey by the Company's geophysical consultant Magma Geoscience Inc and surface prospecting and sampling.

The surface prospecting and sampling program was completed over seven geophysical anomalies within the property boundaries. A total of 139 grab samples were taken for assay and whole rock geochemical analyses. The best results for the exploration program were observed at the Raglan Nickel Mines showing with maximum grades of 0.44% Ni and 2.08% Cu in grab samples taken from outcrop exposure.

A total of 29 holes representing 4,616 metres of diamond drilling tested a total of six Ni-Cu targets on the Raglan Hills Project in 2009. Drilling targeted coincident electro-magnetic

conductors with high magnetic responses identified in the 2008 airborne geophysical survey testing for feeder type ultramafic dykes to the large Raglan Metagabbro Intrusive Body.

Borehole geophysical surveys were completed on all diamond drill holes as part of the 2009 exploration program. The results of the borehole geophysical surveys are being interpreted by an independent geophysical consultant.

A surface Time Domain Electromagnetic survey was completed over the known airborne conductors on the Henderson property in preparation for a diamond drill program.

A remote sensing project was completed on Raglan Township using spectral mapping of rock types and specific minerals and modern computer-aided photo-interpretation methodologies. Numerous priority targets were generated associated with the interpreted ultramafic intrusions and indicative alteration assemblages including the presence of sulphide mineralization.

Sampling, Analysis and Security of Samples

From August of 2008 to October 2008, the Company procedures were as follows: grab samples and sawn samples were sent for initial preparation to Accurassay Laboratories, a commercial laboratory in Lively, Ontario. The Company core was dry crushed to 90% passing 8 mesh (2.38 mm) and split in a multi-gate Jones Riffler until a 200 g to 400 g sample split was produced. Riffler rejects were bagged and returned to the Company. The 200 g to 400 g sample was bagged and shipped via Manitoulin Transport to Accurassay in Thunder Bay, Ontario.

At Lively the crusher was tested and calibrated to 90% passing 8 mesh daily. The crusher was cleaned with compressed air after every sample, and the crushing area and crusher were cleaned and "wiped down" after each job. If there was visual evidence of contamination after a given sample, the crusher was wiped down immediately.

In the Accurassay Thunder Bay laboratory, the sample split is pulverized to 90% passing 150 mesh (106 μm) using a ring and puck pulverizer. A silica-clean of the pulverizer is performed between each sample to prevent cross-contamination. Pulps were homogenized and further split to prepare pulp duplicates for the various analytical methods. One extra pulp per drill hole batch is retained for further testing at a second independent laboratory. Specific gravity measurements are done by pycnometer on sample pulps.

Samples were analyzed at the Accurassay Laboratories for nickel, copper and cobalt using sodium peroxide fusion with an ICP-AES finish; for gold, platinum and palladium by fire assay collection with an AAS finish; and for silver by aqua regia digestion and AAS finish. Specific gravity measurements are performed on pulps by pycnometer at the Accurassay Laboratories.

Accurassay ships sample pulps for sulphur analysis to International Plasma Laboratories in Vancouver via Priority Post (Canada Post) where they are analyzed by LECO furnace.

Detection limits for the Accurassay are:

Element	Detection Limit
Ni	0.005%
Cu	0.005%
Co	0.002%
Au	5 ppb
Ag	1 ppm
Pt	15 ppb
Pd	10 ppb

During 2009, sample preparation and analyses for drill holes are as follows: core samples are sent for assay at the SGS Mineral Services (SGS) preparation facility in Lakefield, Ontario, where they are dried, crushed to 75% passing 2 mm (10 mesh), rifle split to 250 g, and pulverized to 85% passing 75 microns (200 mesh). The specific gravity of prepared sample pulps is determined by pycnometer. One extra selected pulp per drill hole batch is retained for future testing at a second independent laboratory. SGS sends the pulps to Toronto (SGS XRAL) for analysis of nickel, copper, cobalt (sodium peroxide fusion with ICP-OES finish), gold, platinum, palladium (fire assay-lead collection with ICP-OES finish), sulphur (Leco furnace), and silver (aqua regia digestion, AAS).

SGS Lakefield Research/XRAL	
Element	**Detection Limit**
Ni	5 ppm
Cu	5 ppm
Co	0.5 ppm
Au	1 ppb
Ag	1 ppm
Pt	1 ppb
Pd	1 ppb

The exploration program is being carried out under the supervision of the Company's Senior Project Geologist, Scot Halladay, P.Geo., a "qualified person" as that term is defined in NI 43-101.

Data Verification

A review of the historic exploration work was completed by reviewing the assessment files located at the Ministry of Northern Development, Mines and Forestry Office in Tweed, Ontario. All historic data reviewed predates the implementation of NI 43-101 standards and guidelines and should be considered non-compliant.

3.4.3 Belmont Property

Property Description and Location

The Belmont property comprises greater than 10,500 hectares of mining rights in several claim blocks representing 90 unpatented mining claims. The claims are located in Belmont, Lake, Limerick, Marmora and Wollaston Townships located near Marmora, Ontario. The properties are accessed from all weather paved highways and unpaved seasonal bush roads.

The Company has a 100% interest in the 90 unpatented mining claims.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Belmont property area is cross-cut by a number of regional highways with a well developed power supply grid. Numerous residential, commercial and recreational properties exist within the property area.

The Company has a comprehensive environmental policy to ensure a minimal impact to the local environment as a result of exploration activities. Added care is taken to ensure no drill cuttings flow into the local watershed and absorbent fibres are used around all motors and working parts to collect any inadvertent drips of petrochemicals. All wastes are transported from the site and deposited into a licensed landfill or recycling facility.

History

The area has been explored and mined by numerous companies and individuals since the late 1800's for any number of economic commodities including gold, silver, zinc, copper, nickel and uranium as well as industrial minerals including, but not limited to, iron ore, graphite and wollastonite.

Geological Setting

The Belmont property covers an area of the Central Metasedimentary Belt known as the Belmont Domain. The property area is underlain by calcareous and siliceous meta-sediments, felsic to mafic meta-volcanics with numerous intrusions varying in composition from granites to ultramafics. The units identified within the property boundaries all fall within the Grenville Province and have been exposed to high grade regional metamorphism. Deformation has resulted in a northeast-southwest axial folding trends that parallel the regional fold patterns in the area. The area is cross-cut by several episodes of brittle faulting.

Mineralization

The presence of mafic to ultramafic intrusions in close proximity to sulphide bearing meta-sediments represents a good exploration target for nickel and copper sulphide mineralization. Several nickel-copper showings associated with mafic and ultramafic intrusions exist within the area. The nickel and copper showings tend to be associated with the more pyroxenitic portions of the mafic intrusions.

Recent Exploration

A magnetometer and AeroTem III electromagnetic regional airborne geophysical survey consisting of approximately 6,000 line kilometers was completed in the winter and spring of 2008. The survey was flown on a 100 metres spaced grid flown perpendicular to stratigraphy at a height of approximately 30 metres above the surface. All data was interpreted by the Company's consulting geophysisist at Magma Geosciences Inc.

The Company added to its unpatented mining claims by staking an additional 29 mining claims in Limerick, Lake, Marmora and Belmont Townships in 2008 targeting prospective geophysical anomalies identified in the recently completed airborne geophysical survey.

Reconnaissance mapping and prospecting was completed on the staked mining claims in October 2008 on 5 of the priority airborne anomalies. A total of 155 grab samples have been sent for Ni, Cu, Co, S, Au, Pt, Pd, Ag, and SG for the 2008 exploration program. No anomalous nickel sulphide mineralization was observed in the 2008 exploration program.

A total of 13 holes representing 2,885 metres of diamond drilling tested a total of six Ni-Cu targets on the Belmont Project in 2009. Drilling targeted coincident electro-magnetic conductors with high magnetic responses identified in the 2008 airborne geophysical survey testing for feeder type ultramafic dykes.

No significant results were observed in the 2009 diamond drill program.

Time domain electromagnetic borehole geophysical surveys were completed on selected diamond drill holes as part of the 2009 exploration program. The results of the borehole geophysical surveys are being interpreted by an independent geophysical consultant.

Reconnaissance mapping and prospecting was completed on the staked mining claims over priority airborne anomalies. No anomalous nickel sulphide mineralization was observed in the 2009 exploration program.

A remote sensing project was completed on Limerick Township using spectral mapping of rock types and specific minerals and modern computer-aided photo-interpretation methodologies. Numerous priority targets were generated associated with the interpreted ultramafic intrusions and indicative alteration assemblages including the presence of sulphide mineralization.

Sampling, Analysis and Security of Samples

From October of 2008 to November 2008, the Company procedures were as follows: grab samples and sawn samples were sent for initial preparation to Accurassay Laboratories, a commercial laboratory in Lively, Ontario. The Company core was dry crushed to 90% passing 8 mesh (2.38 mm) and split in a multi-gate Jones Riffler until a 200 g to 400 g sample split was produced. Riffler rejects were bagged and returned to the Company. The 200 g to 400 g sample was bagged and shipped via Manitoulin Transport to Accurassay in Thunder Bay, Ontario.

At Lively the crusher was tested and calibrated to 90% passing 8 mesh daily. The crusher was cleaned with compressed air after every sample, and the crushing area and crusher were cleaned and "wiped down" after each job. If there was visual evidence of contamination after a given sample, the crusher was wiped down immediately.

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Accurassay ships sample pulps for sulphur analysis to International Plasma Laboratories in Vancouver via Priority Post (Canada Post) where they are analyzed by LECO furnace.

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Starting in 2009, sample preparation and analyses for drill holes are as follows: core samples are sent for assay at the SGS Mineral Services (SGS) preparation facility in Lakefield, Ontario, where they are dried, crushed to 75% passing 2 mm (10 mesh), rifle split to 250 g, and pulverized to 85% passing 75 microns (200 mesh). The specific gravity of prepared sample pulps is determined by pycnometer. One extra selected pulp per drill hole batch is retained for future testing at a second independent laboratory. SGS sends the pulps to Toronto (SGS XRAL) for analysis of nickel, copper, cobalt (sodium peroxide fusion with ICP-OES finish), gold, platinum, palladium (fire assay-lead collection with ICP-OES finish), sulphur (Leco furnace), and silver (aqua regia digestion, AAS).

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The exploration program is being carried out under the supervision of the Company's Senior Project Geologist, Scot Halladay, P.Geo., a "qualified person" as that term is defined in NI 43-101.

Data Verification

A review of the historic exploration work was completed by reviewing the assessment files located at the Ministry of Northern Development, Mines and Forestry Office in Tweed, Ontario. All historic data reviewed predates the implementation of NI 43-101 standards and guidelines and should be considered non-compliant.

ITEM 4: DIVIDENDS

4.1 Dividend Policy

The Company has neither declared nor paid any dividends on its common shares. The Company intends to retain its earnings, if any, to finance growth and expand its operations and does not anticipate paying any dividends on its common shares in the foreseeable future. The actual timing, payment and amount of any dividends declared and paid by the Company will be determined by and at the sole discretion of the board of directors of the Company from time to time based upon, among other factors, the cash flow, results of operations and financial condition of the Company, the need for funds to finance ongoing operations and exploration and such other considerations as the board of directors in its discretion may consider or deem relevant.

ITEM 5: DESCRIPTION OF CAPITAL STRUCTURE

5.1 General Description of Capital Structure

The Company is authorized to issue an unlimited number of common shares, of which 161,031,676 were issued and outstanding as at the date of this AIF. Holders of common shares are entitled to receive notice of any meeting of shareholders of the Company, and to attend and to cast one vote per common share at all such meetings. Holders of common shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the common shares entitled to vote in any election of directors may elect all directors standing for election. Holders of common shares are entitled to receive dividends, if any, on a *pro rata* basis, such dividends, as and when declared by the Company's board of directors in its discretion (please see "Dividend Policy" above). Upon the liquidation, dissolution or winding up of the Company, holders of common shares are entitled to receive on a *pro rata* basis the net

assets of the Company after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a *pro rata* basis with the holders of common shares with respect to dividends or liquidation. The common shares do not carry any pre-emptive subscription, redemption or conversion rights. The common shares are the only class of shares authorized by the articles of the Company.

ITEM 6: MARKET FOR SECURITIES

6.1 Trading Price and Volume

The common shares of the Company are currently listed for trading on the TSX under the trading symbol "FNI". The following chart lists the price ranges and volumes traded for such shares for each month during the 12 month period ended December 31, 2009:

Month	Low ($)	High ($)	Close ($)	Volume
January, 2009	0.045	0.145	0.075	28,656,993
February, 2009	0.07	0.10	0.085	8,849,864
March, 2009	0.065	0.085	0.08	6,981,377
April, 2009	0.07	0.13	0.105	22,776,405
May, 2009	0.095	0.19	0.13	27,546,136
June, 2009	0.105	0.195	0.115	30,665,039
July, 2009	0..095	0.14	0.13	5,888,702
August, 2009	0.125	0.17	0.135	9,730,244
September, 2009	0.11	0.14	0.12	5,762,568
October, 2009	0.105	0.13	0.11	5,440,770
November, 2009	0.105	0.125	0.11	3,684,819
December, 2009	0.11	0.15	0.12	10,782,507

ITEM 7: DIRECTORS AND OFFICERS

7.1 Names, Occupation and Security Holdings

The following table and the notes thereto set out the name, province or state and country of residence of each director and executive officer of the Company, their current position and office with the Company, their principal occupation or employment during the last five years, and the date on which they were first elected or appointed a director or officer of the Company.

Name, Current Position(s) with the Company and Province or State and Country of Residence	Principal Occupation(s) During Last Five Years If Different from Office Held	Director / Officer Since
Thomas F. Pugsley[(2)(3)(4)] Chairman and a Director Ontario, Canada	Professional engineer and retired executive. Increasingly senior positions at Falconbridge Limited from 1965 to 2004, Senior Vice President, Projects and Engineering, Falconbridge Limited (1995 – 2004).	October 2004
William J. Anderson[(4)] President, Chief Executive Officer and a Director Ontario, Canada	Previously mineral industry consultant. President of MPH Consulting Limited ("**MPH**"), a private mining and exploration consulting firm (1995-2006). Held increasingly senior positions in Selco (later BP Canada) from 1970 until 1992.Director, True North Gems Inc., Director, Prime Meridian Resources Inc.	May 2004
C. David A. Comba[(3)(4)] Director Ontario, Canada	Graduate geologist and retired executive. Held increasingly senior positions with Falconbridge Group companies 1963–1980 and 1986-1993. Completed undergraduate thesis (Queen's 1972) on Dundonald Deposit, and, as Falconbridge Chief Exploration Geologist, Sudbury, lead geology team that discovered the high grade footwall zone at the Thayer Lindsley Mine, Sudbury.	May 2004
Robert F. Whittall[(1)(2)] Director Ontario, Canada	Chartered Accountant, Corporate Director, previously Vice President and Chief Financial Officer, Volta Resources Inc., a mining company, until June 2009.	October 2006
Lyle R. Hepburn[(1)(2)] Director Ontario, Canada	Corporate lawyer. Co-founding partner of Beach Hepburn LLP, a Toronto law firm specializing in securities and corporate law for public mining and mineral exploration companies (1985-present).	October 2006
Richard S. Hallisey[(1)(4)] Director Ontario, Canada	President and a director of Sullivan Holdings Limited, a private company. Director, Jovian Capital	June 2008
Russel Cranswick[(3)(4)] Director Colorado, USA	Mr. Cranswick is a professional geologist who is a partner of Resource Capital Funds ("RCF"). Prior to his 10 years at RCF in Denver, Mr. Cranswick was based in Vancouver and spent four years as a mining analyst with Research Capital Corporation and Brink Hudson & Lefever Ltd. and eight years in mineral exploration, the last five years of which was with Kennecott Canada Inc. Director, Baffinland, Director, Selwyn	July 2009
Joseph Del Campo Chief Financial Officer Ontario, Canada	Certified Management Accountant. Vice President Finance, Chief Financial Officer and Director of Unigold Inc., a junior mining exploration company.	June 2005
Paul Davis Vice President Exploration Ontario, Canada	Professional Geologist., M.Sc. VP Exploration and Director Canadian Arrow Mines Ltd, (2004-2005); VP Exploration and Director of Black Pearl Minerals Consolidated Inc. (2000-2001)	July 2005

Notes:

(1) Member of the Audit Committee of the Board of Directors. The members of the Audit Committee are Richard Hallisey, Lyle R. Hepburn and Robert F. Whittall (Chairman).

(2) Member of the Corporate Governance and Nominating Committee of the Board of Directors. The members of the Corporate Governance and Nominating Committee are Robert F. Whittall, Thomas F. Pugsley and Lyle R. Hepburn (Chairman).

(3) Member of the Human Resources and Compensation Committee of the Board of Directors. The members of the Human Resources and Compensation Committee are Russel Cranswick, Thomas F. Pugsley and C. David A. Comba (Chairman).

(4) Member of the Technical Advisory Committee of the Board of Directors. The members of the Technical Advisory Committee are Thomas F. Pugsley, William J. Anderson, C. David A. Comba, Russel Cranswick and Richard Hallisey.

The directors of the Company are elected by the shareholders at each annual general meeting and serve until the next annual general meeting, or until their successors are duly elected or appointed.

As of the date of this AIF, approximately 722,000 common shares of the Company were beneficially owned, or controlled or directed, directly or indirectly, by the current directors and executive officers of the Company as a group representing approximately 0.45% of the issued and outstanding common shares of the Company on a non-diluted basis.

7.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Cease Trade Orders

To the Company's knowledge, except as disclosed herein, no director or executive officer of the Company is, or has been within the ten years before the date of this AIF, a director, chief executive officer or chief financial officer of any company that: (i) was subject to a cease trade order or similar order or an order that denied such company access to any exemptions under securities legislation, that was in effect for a period of more than 30 consecutive days that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; (ii) was subject to a cease trade order or similar order or an order that denied such company access to any exemptions under securities legislation, that was in effect for a period of more than 30 consecutive days that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

In July 2002, the Ontario Securities Commission issued a cease trading order against Black Pearl Minerals Consolidated Inc. ("**Black Pearl**") for failure to file the required financial statements and reports. On October 3, 2002, the Ontario Securities Commission revoked the cease trading order. C. David A. Comba, a director of the Company, was a director of Black Pearl between December 1998 and July 2004.

Bankruptcies

To the Company's knowledge, no director or executive officer of the Company, and no shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company: (i) is, or has been within the ten years before the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal

under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within the ten years before the date of this AIF become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

To the Company's knowledge, no director or executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court, or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

7.3 Conflicts of Interest

Certain directors and officers of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time.

ITEM 8: LEGAL PROCEEDINGS

There are no legal proceedings that the Company is or was a party to, or that any of its property is or was the subject of, during the Company's financial year and the Company knows of no such legal proceedings currently contemplated.

ITEM 9: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed elsewhere in this AIF the Company is not aware of any transaction of any of the following persons or companies within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect the Company: (i) a director or executive officer of the Company, (ii) a person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding common shares of the Company; and (iii) an associate or affiliate of any of the persons or companies referred to in (i) and (ii).

ITEM 10: TRANSFER AGENTS AND REGISTRARS

Equity Transfer & Trust Company ("**Equity**") is the Company's transfer agent and registrar. Equity is located at Suite 400, 200 University Avenue, Toronto, Ontario, M5H 4H1.

ITEM 11: MATERIAL CONTRACTS

Below is a list of material contracts entered into by the Company, including certain contracts entered into in the ordinary course of business, within the last financial year or before the last financial year but still in effect.

(a) Ore sale and processing ("Xstrata Offtake Agreement") agreement dated May 31, 2005 between the Company and Falconbridge (now Xstrata Nickel) granting Xstrata Nickel the right, on an annual basis, to purchase up to 100% of the ore handled through the Lockerby Mine's underground infrastructure (including ore derived from third party properties outside the mine) by paying for the recovered accountable metals derived from the Lockerby property, less applicable mining, smelting and refining charges. This agreement was amended on September 15, 2008 by an agreement made between the Company and Xstrata Nickel.

(b) Royalty agreement dated May 31, 2005 between the Company and Inco Limited (now Vale Inco) whereby the Company would develop and mine extensions of the Lockerby Depth Zone ore body on adjacent property owned by Vale Inco and in return pay a monthly royalty to Vale Inco. The agreement was amended by a letter dated December 12, 2007.

(c) Option agreement dated November 21, 2005 between the Company and Landore whereby the Company can earn a 70% interest by making cash payments totalling $150,000 and fund a total of $6,000,000 in exploration and development activities over 4 years. The Company can earn up to an 85% undivided interest in the West Graham property, should Landore elect not to exercise a participation option, by completing a feasibility study within two years of the expiry date of Landore's participation option at which point the Company and Landore will automatically be deemed to have formed a joint venture. Should the Company or Landore's interest be reduced to 10% or less, then such interest will be automatically extinguished and converted to a 2% NSR. Subsequently, the anniversary date of the West Graham option agreement was amended to December 31 to coincide with the Company's year end and simplify the reporting procedure. See "West Graham Property - Property Description and Location" above.

(d) Collective Bargaining Agreement dated December 1, 2006 among the Company, and Sudbury Mine, Mill & Smelter Workers Union, Local 598 (CAW).

(e) Office Clerical and Technical Employees Collective Agreement dated December 15, 2006 between the Company and United Steelworkers of America Local 2020, Unit 6855.

ITEM 12: INTERESTS OF EXPERTS

12.1 Names of Experts

Richard E. Routledge, M.Sc. (Applied), P.Geo., of Scott Wilson RPA prepared the 2008 Resource Estimate Report.

Marc Lavigne, Eng., M.Sc., Jacques Gauthier, P. Eng., MGP, Luc Bourguignon, Eng. of GENVAR, prepared the Lockerby Prefeasibility Study Report and the Lockerby Feasibility Study Report.

Phil Vicker, P.Geo., M.Sc., of the Company, prepared the 2009 Resource Estimate Report.

Richard E. Routledge, M.Sc. (Applied), P.Geo., and Bruce Churchill, B.A. P.Geo., of Scott Wilson RPA, prepared the 2009 West Graham Technical Report.

G.A. Harron, P.Eng., of MPH, prepared the technical report on the Dundonald Property.

The current auditor of the Company is KPMG LLP.

12.2 Interests of Experts

KPMG, LLP report that they are independent of the Company in accordance with the Rules of Professional Conduct of The Institute of Chartered Accountants of Ontario.

As of the date hereof, to the Company's knowledge, the other experts named in the foregoing section beneficially own, directly or indirectly, less than one percent of the securities of the Company.

ITEM 13: AUDIT COMMITTEE INFORMATION REQUIRED IN AN AIF

The following information regarding the Audit Committee of the Company's Board of Directors is required to be disclosed pursuant to National Instrument 52-110 – Audit Committees ("**NI 52-110**").

Audit Committee Charter

The text of the Audit Committee's charter is set out as Schedule "A" to this AIF.

Composition of the Audit Committee

The members of the Audit Committee are Richard Hallisey, Robert F. Whittall and Lyle R. Hepburn. Each of Mr. Hallisey, Mr. Whittall and Mr. Hepburn are "independent" and "financially literate", as those terms are defined NI 52-110.

Relevant Education and Experience

The education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an audit committee member is as follows:

Robert F. Whittall, a Chartered Accountant, was the Vice President and Chief Financial Officer of Volta Resources Inc. (formerly Goldcrest Resources Ltd.) from 2003 until 2009. From April 2001 to January 2003, Mr. Whittall was Vice President, Finance of TVX Gold Inc. He is also chairman of the audit committee of Viking Gold Exploration Inc. and from 2003 to 2009 was chairman of the audit committee of Andina Minerals Inc.

Lyle R. Hepburn is a partner in the Toronto law firm of Beach, Hepburn LLP, which he co-founded in 1985. Mr. Hepburn's practice has been focused primarily on representing and advising publicly-traded mining and mineral exploration companies. Mr. Hepburn is currently a director of Gitennes Exploration Inc., North Atlantic Resources Ltd. and Fronteer Development Group Inc., all of which are mineral exploration companies listed on the TSX.

Richard Hallisey is President and Director of Sullivan Holdings Limited, a position he has held full time since 2001. From January 1999 to December 2001 he was Vice-Chairman and Managing Director of National Bank Financial. Prior to his position at National Bank he was the Co-Founder, Vice Chairman and Director of First Marathon Securities. Mr. Hallisey holds a Bachelor of Applied Science (Geological Engineering) from UBC, and a Masters in Business Administration from University of Western Ontario. He is also a Director of Kinross Gold Corporation.

Reliance on Certain Exemptions in Sections 2.4, 3.2, 3.4 or 3.5 of NI 52-110

This is not applicable.

Reliance on the Exemptions in Subsection 3.3(2) or Section 3.6 of NI 52-110

This is not applicable.

Reliance on Section 3.8 of NI 52-110

This is not applicable.

Audit Committee Oversight

This is not applicable.

Pre-Approval Policies and Procedures

The policy of the Audit Committee regarding the engagement of non-audit services is set out at Section 2(f) of the Audit Committee's Charter, which is disclosed in its entirety as Schedule "A" hereto.

External Auditor Service Fees (By Category)

Audit Fees

In respect of audit services, for the year ended December 31, 2009, KPMG, LLP billed the Company a total of $75,000 and for the year ended December 31, 2008, KPMG, LLP was paid a total of $90,000.

Tax Fees

For the years ended December 31, 2009 and 2008, KPMG, LLP did not bill the Company for professional services rendered for tax compliance, tax advice or tax planning.

All Other Fees

For the year ended December 31, 2009, and for the year ended December 31, 2008, KPMG, did not bill the Company in respect of products or services other than those reported under "Audit Fees" and "Tax Fees", above.

ITEM 14: ADDITIONAL INFORMATION

Additional information relating to the Company may be found on the SEDAR website located at www.sedar.com.

Information regarding directors' and officers' remuneration, principal holders of the Company's securities and securities authorized for issuance pursuant to equity compensation plans is contained in the Company's management proxy information circular for the last annual and special meeting of shareholders held on Friday, June 19, 2009.

Additional financial information is provided in the Company's audited financial statements and management discussion and analysis for the 12 month period ended December 31, 2009.

FIRST NICKEL INC.
SCHEDULE "A"
TO ANNUAL INFORMATION FORM
FISCAL PERIOD ENDED DECEMBER 31, 2009

FIRST NICKEL INC.
AUDIT COMMITTEE CHARTER

This Audit Committee Charter (the "Charter") was approved by the Board of Directors of First Nickel Inc. (the "Company") on March 24, 2010 and replaces all previous audit committee charters, terms of reference or other similar documents prescribing the procedures, powers and duties of the Audit Committee.

I. PURPOSE

The Audit Committee is a committee of the Board of Directors (the "Board") of First Nickel Inc. (the "Company"). The primary function of the Audit Committee is to assist the Board in fulfilling its financial reporting and controls responsibilities to the shareholders of the Company and the investment community. The external auditors will report directly to the Audit Committee. The Audit Committee's primary duties and responsibilities are:

- overseeing the integrity of the Company's financial statements and reviewing the financial reports and other financial information provided by the Company to any

governmental body or the public and other relevant documents and overseeing the Company's compliance with legal and regulatory requirements;

- recommending the appointment and reviewing and appraising the audit efforts of the Company's external auditor, overseeing the external auditor's qualifications and independence and providing an open avenue of communication among the external auditor, financial and senior management and the Board;

- serving as an independent and objective party to oversee and monitor the Company's financial reporting process and internal controls, the Company's processes to manage business and financial risk, and its compliance with legal, ethical and regulatory requirements; and

- encouraging continuous improvement of, and fostering adherence to, the Company's policies, procedures and practices at all levels.

II. COMPOSITION

The Audit Committee shall consist of a minimum of three Directors of the Company, including the Chair of the Audit Committee, all of whom shall meet the requirements of National Instrument 52-110- Audit Committees. All members shall, to the satisfaction of the Board, be "financially literate" as defined in National Instrument 52-110.

The members of the Audit Committee shall be elected by the Board at the annual organizational meeting of the Board or until their successors are duly elected. The Board may remove a member of the Audit Committee at any time in its sole discretion by resolution of the Board. Unless a Chair is elected by the full Board, the members of the Audit Committee may designate a Chair by majority vote of the full membership of the Audit Committee.

III. DUTIES AND RESPONSIBILITIES

1. The Audit Committee shall review and recommend to the Board for approval:

   (a) The annual audited financial statements.

   (b) Review with financial management and the external auditor the Company's financial statements, MD&A and earnings releases to be filed with regulatory bodies such as securities commissions prior to filing or prior to the release of earnings.

   (c) Documents referencing, containing or incorporating by reference the annual audited financial statements or interim financial results (e.g., prospectuses, news releases with financial results and annual information form when applicable) and news releases containing material financial information prior to their release.

   (d) Adequacy of this Charter and revisions thereto as necessary.

2. The Audit Committee, in fulfilling its mandate, will:

(a) Satisfy itself that adequate internal controls and procedures are in place to allow the Chief Executive Officer and the Chief Financial Officer to certify financial statements and other disclosure documents as required under securities laws. Review with management relationships with regulators, and the accuracy and timeliness of filing with regulatory authorities (when and if applicable).

(b) Recommend to the Board the selection of the external auditor, consider the independence and effectiveness and approve the fees and other compensation to be paid to the external auditor. Review the performance of the external auditor and approve any proposed discharge and replacement of the external auditor when circumstances warrant. Review the annual audit plans of the internal and external auditors of the Company and discuss any significant changes required in the audit plan.

(c) Monitor the relationship between management and the external auditor including reviewing any management letters or other reports of the external auditor and discussing any material differences of opinion or disagreements between management and the external auditor.

(d) Periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the organization's financial statements. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.

(e) Arrange for the external auditor to be available to the Audit Committee and the full Board as needed. Ensure that the auditors report directly to the Audit Committee and are made accountable to the Board and the Audit Committee, as representatives of the shareholders to whom the auditors are ultimately responsible.

(f) Ensure that the external auditors are prohibited from providing the following non-audit services and pre-approve any permissible non-audit engagements of the external auditors, in accordance with applicable legislation:

- bookkeeping or other services related to the accounting records or financial statements of the Company;
- financial information systems design and implementation;
- appraisal or valuation services, fairness opinions, or contribution-in-kind reports;

- actuarial services;
- internal audit outsourcing services;
- management functions or human resources;
- broker or dealer, investment adviser or investment banking services;
- legal services and expert services unrelated to the audit; and
- any other services which the Public Company Accounting Oversight Board determines to be impermissible.

(g) Review with management and the external auditor of the Company's major accounting policies, including the impact of alternative accounting policies and key management estimates and judgments that can materially affect the financial results.

(h) Review with management their approach to controlling and securing corporate assets (including intellectual property) and information systems, the adequacy of staffing of key functions and their plans for improvements.

(i) Review the expenses of the Chair and Chief Executive Officer of the Company annually.

(j) Obtaining reports from management and the Company's external auditor that the Company is in conformity with legal requirements and the Company's Code of Business Conduct and reviewing reports and disclosures of insider and affiliated party transactions.

(k) At least annually obtaining and reviewing a report prepared by the external auditors describing (i) the auditors' internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the auditors, or by any inquiry of investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditors, and any steps taken to deal with any such issues; and (iii) (to assess the auditors' independence) all relationships between the independent auditors and the Company.

(l) Setting clear hiring policies for partners, employees or former partners and former employees of the external auditors.

(m) Reporting annually to the shareholders in the Company's management information circular prepared for the annual meeting of shareholders on the carrying out of its responsibilities under this Charter and on other matters as required by applicable securities regulatory authorities.

(n) Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls, or auditing matters, and for employees to submit confidential anonymous concerns regarding questionable accounting or auditing matters.

(o) Perform such other duties as required by the Company's incorporating statute and applicable securities legislation and policies.

3. The Audit Committee may engage and communicate directly and independently with outside legal and other advisors for the Audit Committee as required.

IV. SECRETARY

The Secretary of the Audit Committee will be appointed by the Chair.

V. MEETINGS

1. The Audit Committee shall meet at such times and places as the Audit Committee may determine, but no less than four times per year. In any event, the Audit Committee shall meet prior to the Company issuing a news release with its quarterly or annual earnings information. At least annually, the Audit Committee shall meet separately with management and with the external auditors.

2. Meetings may be conducted with members present, in person, by telephone or by video conference facilities.

3. A resolution in writing signed by all the members of the Audit Committee is valid as if it had been passed at a meeting of the Audit Committee.

4. The external auditors or any member of the Audit Committee may call a meeting of the Audit Committee.

5. The external auditors of the Company will receive notice of every meeting of the Audit Committee.

6. The Chair of the Audit Committee will report periodically the committee’s findings and recommendations to the Board of Directors.

VI. QUORUM

A quorum is established with a minimum of two Audit Committee members.

VII. LIMITATION ON THE OVERSIGHT ROLE OF THE AUDIT COMMITTEE

Nothing in this Charter is intended, or may be construed, to impose on any member of the Audit Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all members of the Board are subject. Each member of the Audit Committee shall be entitled, to the fullest extent permitted by law, to rely on the integrity of those persons

and organizations within and outside the Company from whom he or she receives financial and other information, and the accuracy of the information provided to the Company by such persons or organizations.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and in accordance with generally accepted accounting principles in Canada and applicable rules and regulations. These are the responsibility of management and the external auditors.

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