FIRST NICKEL INC.

ANNUAL INFORMATION FORM

YEAR ENDED DECEMBER 31, 2011

MARCH 27, 2012

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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. ("**First Nickel**" or the "**Company**"). Forward-looking information can often be identified by the use of forward-looking terminology such as "anticipate", "believe", "continue", "budget", "forecast", "estimate", "schedule", "expect", "goal", "intend", "target", "potential", "objective", "may", "plan" or "will" or the negative thereof or variations thereon or similar terminology. Forward-looking information may include, but is not limited to: the resumption of operations at Lockerby Mine and the continued operation thereof; expectations of obtaining financing in the near term; future financial or operating performance of the Company and its projects; the future price of metals; the long term supply and demand for nickel; continuation of exploration activities; mineral reserve and mineral resource estimates; the realization of mineral resource estimates; costs of production and key supplies; capital, operating and exploration expenditures; forecasts of sales and production; costs and timing of the development of new and existing deposits; costs and timing of future exploration; the requirements for additional capital; government regulation of mining operations; environmental risks, reclamation expenses and/or title disputes or claims.

By its nature, forward-looking information is based on certain factors and assumptions which involve known and unknown risks, uncertainties and other factors which may cause the actual results, realization of mineral resources, performance or achievements of the Company, financial position or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Such factors include, among others, the following: risks and uncertainties relating to commercial nickel deposits; uncertainty in mineral resource and mineral reserve estimates; uncertainty of production estimates; potential increases in capital and operating cost estimates; actual results of exploration and development of the Company's mineral projects; the Company's history of losses; changes in nickel and other metal prices in a manner unfavourable to the Company; foreign exchange rate fluctuations; risks and hazards inherent to the mining industry; intense competition; risk relating to the Company having one purchaser of metals from the Lockerby Mine; the requirement for additional capital; the potential for significant dilution to existing shareholders; risks relating to our reliance on key executives; risks regarding significant regulation of the mining industry; compliance with laws; the potential for certain risks to be uninsurable; environmental and safety regulations and risks; potential claims against title to our mineral properties; risks regarding First Nations; the Company's lack of dividend history; potential volatility of the market price of First Nickel's common shares; and the potential for significant sales of the Company's common shares.

The Company has made several assumptions that it believes appropriate, and these include but are not limited to: the resumption of operations at Lockerby Mine and the continued operation thereof on terms consistent with management expectations; expectations of obtaining financing in the near term; future financial or operating performance of the Company and its projects; the future price of metals being consistent with management expectations; the long term supply and demand for nickel; continuation of exploration activities; mineral reserve and mineral resource estimates; the realization of mineral resource estimates; costs of production and key supplies; capital, operating and exploration expenditures; forecasts of sales and production; costs and timing of the development of new and existing deposits; costs and timing of future exploration; the requirements for additional capital; government regulation of mining operations; environmental risks, reclamation expenses and/or title disputes or claims.

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 disclaims any intention or 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 or to explain any material difference between subsequent actual events and such forward-looking information, except as required by applicable law.

Reporting Currency

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

The high, low, average and closing exchange rates for Canadian dollars in terms of one United States dollar for each of the three years in the period ended December 31, 2011, as quoted by the Bank of Canada, were as follows:

	Year End December 31		
	2011	**2010**	**2009**
High	$1.0604	$1.0778	$1.3000
Low	$0.9449	$0.9946	$1.0292
Rate at end of period	$1.0170	$0.9946	$1.0466
Average rate for period	$0.9891	$1.0299	$1.1420

On March 26, 2012, the noon exchange rate for Canadian dollars in terms of one United States dollar, as quoted by the Bank of Canada, was US$1.00 = $1.01.

Technical Information

Except as otherwise disclosed, the scientific and technical information contained in this AIF has been prepared under the supervision of, or approved by, Mr. Paul Davis, an officer of the Company who is a "qualified person" under National Instrument 43-101 – Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators ("**NI 43-101**").

CORPORATE STRUCTURE

Name, Address and Incorporation

The Company was incorporated as "2035666 Ontario Inc." under the laws of the Province of Ontario pursuant to the *Business Corporations Act* (Ontario) by articles of incorporation dated November 12, 2003. By articles of amendment certified effective February 5, 2004, the Company changed its name to its current name, "First Nickel Inc." and removed 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 Company became a reporting issuer in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario following the filing of a long form prospectus dated June 22, 2004. The common shares began trading on the TSX under the symbol "FNI" upon completion of the Company's initial public offering on June 28, 2004.

Intercorporate Relationships

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

BUSINESS OF THE COMPANY

Company Overview

First Nickel is a Canadian mining company focused on becoming a mid-tier base metal producer through the successful mining, exploration, development and acquisition of opportunities throughout North America. The Company's principal operating asset and sole material property for purposes of NI 43-101 is the Lockerby Mine, near Sudbury, Ontario (the "**Lockerby Mine**"), which produces nickel and, as a by-product, copper and cobalt. The Company also owns a series of exploration properties, which include the also include the West Graham property which is located adjacent to the East Zone of the Lockerby Mine, the Dundonald property located 60 kilometres northeast of Timmins, Ontario, the Raglan Hills and Henderson property located 32 kilometres east-northeast of Bancroft, Ontario and the Belmont properties consisting of unpatented mining claims in Limerick, Wollaston, Lake, Maramora and Belmont townships in southeastern Ontario.

The Lockerby Mine

The Company acquired a 100% interest in the Lockerby Mine property and related assets (the "**Lockerby Assets**") from Falconbridge Limited (now Xstrata Nickel, a business unit of Xstrata Canada Corporation ("**Xstrata Nickel**")) pursuant to an asset purchase agreement dated effective May 31, 2005 as amended by the amending agreement with Xstrata Nickel dated November 1, 2010 (the "**Asset Purchase Agreement**").

In 2008, the Lockerby Mine was placed on care and maintenance by the Company due to low metal prices. After careful planning and further development work at the project site, including preparation of a 2009 feasibility study on the development and mining of the depth zone at the Lockerby Mine (the "**Lockerby Depth Zone**") which demonstrated that the existing well-defined high grade reserve could be the basis for a financial case for development that could extend mine life for more than five years, First Nickel re-commenced production on certain portions of the mine with a focus on the Lockerby Depth Zone in September 2011. The Company anticipates entering into full-scale commercial production by mid-2012. Lockerby is expected to produce approximately 10 million pounds of nickel and 7 million pounds of copper annually, at a total cash production cost of $6.00 per pound of nickel by the end of 2012.

For the year ended December 31, 2011, the Company shipped 23,924 tonnes or ore from the Lockerby Mine at an average nickel grade of 1.71% and an average copper grade of 1.02%, resulting in 901,657 pounds of nickel and 537,831 pounds of copper.

The Lockerby Mine produces nickel-copper ore which is sold to Xstrata Nickel under an ore sale and processing agreement dated May 31, 2005, as amended on September 15, 2008 and December 13, 2010 (the "**Xstrata Off-take Agreement**"). Pursuant to the Xstrata Off-take Agreement, Xstrata Nickel has agreed to purchase for the life of the mine 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.

Employees

At December 31, 2011, the Company employed 119 persons, excluding services provided by subcontractors. A significant number of First Nickel's employees are unionized employees that are represented by two unions. Collective agreements with each union were last negotiated in 2010 and are due to expire in 2013. First Nickel considers its employee relations to be very positive.

Competitive Conditions

The metal mineral exploration and mining business is a competitive business. First Nickel competes with numerous other companies and individuals in the search for and the acquisition of attractive properties. The ability of the Company to replace or increase its mineral reserves and mineral resources in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for development or mineral exploration.

Environmental and Safety Protection

The Company's mining, exploration and development activities are subject to various levels of federal, provincial and state laws and regulations relating to the protection of the environment, including requirements for closure and reclamation of mining properties and the health and safety of its employees. 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 2011, 2010 and 2009, there were zero lost time injuries.

Three Year History

July 2009 Convertible 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 future interest is paid in shares, the Company could at present share prices issue an additional 20,000,000 common shares. As at the date of this AIF, the Company has issued 20,055,856 common shares to RCF for payment of interest.

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 $/US$ exchange rate of 1.1776.

September 2010 Completion of Bridge Loan

On September 1, 2010, the Company completed its financing with RCF for a US$5 million bridge loan maturing on December 31, 2013 (the "**Bridge Loan**"). The full amount was advanced on September 1, 2010 and was used to initiate re-commissioning activities and detailed engineering studies at the Lockerby Mine.

November 2010 Public Offering

On November 12, 2010, the Company completed a short form prospectus offering of 239,582,948 units of the Company ("**Units**") at a price of $0.12 per Unit for gross proceeds of $28,749,953, which includes the 31,249,615 Units issued on exercise of the agents' over-allotment option which entitled the agents to increase the size of the offering. Each Unit consisted of one common share and one-half of one common share purchase warrant, with each whole warrant entitling the holder thereof to acquire a further common share at the exercise price of $0.17 per share expiring 24 months from the completion date. Paradigm Capital Inc. and Raymond James Ltd. acted as agents for the offering.

In addition, RCF exchanged US$3,171,059 ($3,375,910) of its US$5,000,000 ($5,323,000) outstanding Bridge Loan for 28,132,580 Units based on an exchange rate of $1.0646/US$1.00 and a price of $0.12 per Unit in connection with the Offering.

January 2011 Debt for Equity Exchange

On January 20, 2011, the remaining US$1,828,940 ($1,947,090) of the Bridge Loan was exchanged for 16,225,753 Units based on an exchange rate of $1.0646/US$1.00 and a price of $0.12 per Unit following receipt of shareholder approval at a special meeting held on January 6, 2011. As a result of such issuance, the Bridge Loan was repaid in full.

June 2011 Private Placement

On June 1, 2011, the Company completed a private placement offering of 11,370,000 common shares of the Company issued on a flow-through basis at a price of $0.18 per common share for gross proceeds of $2,046,000. The net proceeds from the offering were used to fund First Nickel's exploration program. In connection with the offering, the Company paid a finder's fee and issued 795,900 common share purchase warrants, having an exercise price of $0.18 per common share, to Pope & Company Limited.

July 2011 Project Loan Facility

On July 5, 2011, the Company announced that it had entered into a credit agreement with Société Générale (Canada Branch) and Commonwealth Bank of Australia in respect of a senior debt facility totaling $30 million. The proceeds of the facility were to be used to fund the development and start-up costs at the Lockerby Mine. The facility was originally scheduled to mature on March 31, 2015 and was subject to implementation of a hedging program.

On July 25, 2011, the Company completed forward sales arrangements for 15 million pounds of nickel, at an average contract price of US$10.37 per pound of nickel, and 12 million pounds of copper, at an average contract price of US$4.11 per pound of copper. The sales were spread over the four year life of the project debt facility. In addition, the Company entered into foreign exchange and interest rate contracts as required under the Facility.

On September 27, 2011, the Company closed out the above noted contracts and received net cash proceeds of approximately US$35 million. As a result of this transaction, First Nickel no longer plans to utilize the project debt facility to fund costs at the Lockerby Mine and availability under the facility has been reduced to a nominal amount of one dollar, with a maturity date of December 31, 2012.

July 2011 Private Placement

On July 20, 2011, the Company completed a private placement offering of 31,873,750 Units of the Company at a price of $0.16 per Unit for gross proceeds of $5,099,800. Each Unit consisted of one common share and one-half of

one common share purchase warrant, with each whole warrant entitling the holder thereof to acquire a further common share at the exercise price of $0.22 per share expiring 24 months from the completion date. Paradigm Capital Inc. and Raymond James Ltd. acted as agents for the offering.

September 2011 Appointment of Chief Executive Officer

On September 12, 2011, the Company announced that it hired Mr. Thomas M. Boehlert as its new President and Chief Executive Officer ("**CEO**") to replace Mr. William Anderson who was retiring. In connection with the hiring of Mr. Boehlert, Mr. Boehlert agreed to purchase common shares of the Company on a private placement basis for gross proceeds of $500,000 at a price of $0.14 per common share.

September 2011 Commencement of Production

On September 27, 2011, First Nickel announced that it had commenced production at the Lockerby Mine and made its first delivery of ore from the mine to Xstrata Nickel.

November 2011 Appointment of Chief Financial Officer

On November 8, 2011, the Company announced that it had hired Mr. Steven J. Cresswell as its new Vice President and Chief Financial Officer to replace Mr. Joseph Del Campo, who retired effective December 2011.

December 2011 Appointment of Head of Corporate Development

On December 5, 2011, the Company announced that it had hired Mr. Sean J.F. Samson as its new Vice President and Head of Corporate Development.

December 2011 Retirement of Chief Operating Officer

On December 14, 2011, the Company announced that Mr. Gerry Bilodeau, Chief Operating Officer, had elected to retire following his success at bringing the Lockerby Mine back into production. Mr. Bilodeau agreed to remain involved with the Company in the capacity of Senior Advisor. Mr. Samson is acting as interim Vice President, Operations, until the Company appoints a full time Vice President, Operations.

THE LOCKERBY MINE

On November 5, 2010, the Company filed an NI 43-101-compliant technical report titled "*Technical Report on the Depth Zone of the Lockerby Deposit"* dated November 2, 2010 (the "**Lockerby Technical Report**") on the System for Electronic Document Analysis and Retrieval at www.sedar.com ("**SEDAR**"). The Lockerby Technical Report 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, Marc Lavigne, Eng., M.Sc., Jacques Gauthier, P.Eng., MGP, and 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 43-101. The Lockerby Technical Report combined and reflected earlier technical reports prepared by GENIVAR and updated the economic analysis completed by GENIVAR to take into account an update of metal prices, the foreign exchange rate and the escalation factors in the Xstrata Off-take Agreement, together with the addition of Au/Pt/Pd/Ag net smelter returns.

The following information is derived from the Lockerby Technical Report. 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. C. Lafleur, P.Eng., a "qualified person" under NI 43-101 and Lockerby's Mine Manager, oversees mine activities on behalf of the Company.

All references to tables and figures in this section (except for Figures LM-1, LM-2, LM-3 and LM-4, which were provided by management of the Company) are to the tables and figures accompanying the Lockerby Technical Report, which have been substantively reproduced herein.

A feasibility study on the development and mining of the Lockerby Depth Zone 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. Results of the feasibility study were released in February 2009 in a NI 43-101 technical report.

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

The updated study indicated that the project has an internal rate of return of 50.3% and would generate an undiscounted pre-tax, pre-finance cumulative cash flow of $67.8 million after capital recovery assuming average metal prices of US$8.75/lb Ni, US$ 3.00/lb Cu, and US$ 15.00/lb Co. An exchange rate of $US1.00/$C was used for this study. Based on a 10% discount rate the project has a $38.0 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 pre-production phase. Metal production was expected to 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$5.56 per pound of nickel over the 6.5 year mine plan. Mine operating costs are estimated to average $155/tonne.

The Lockerby Depth Zone 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.

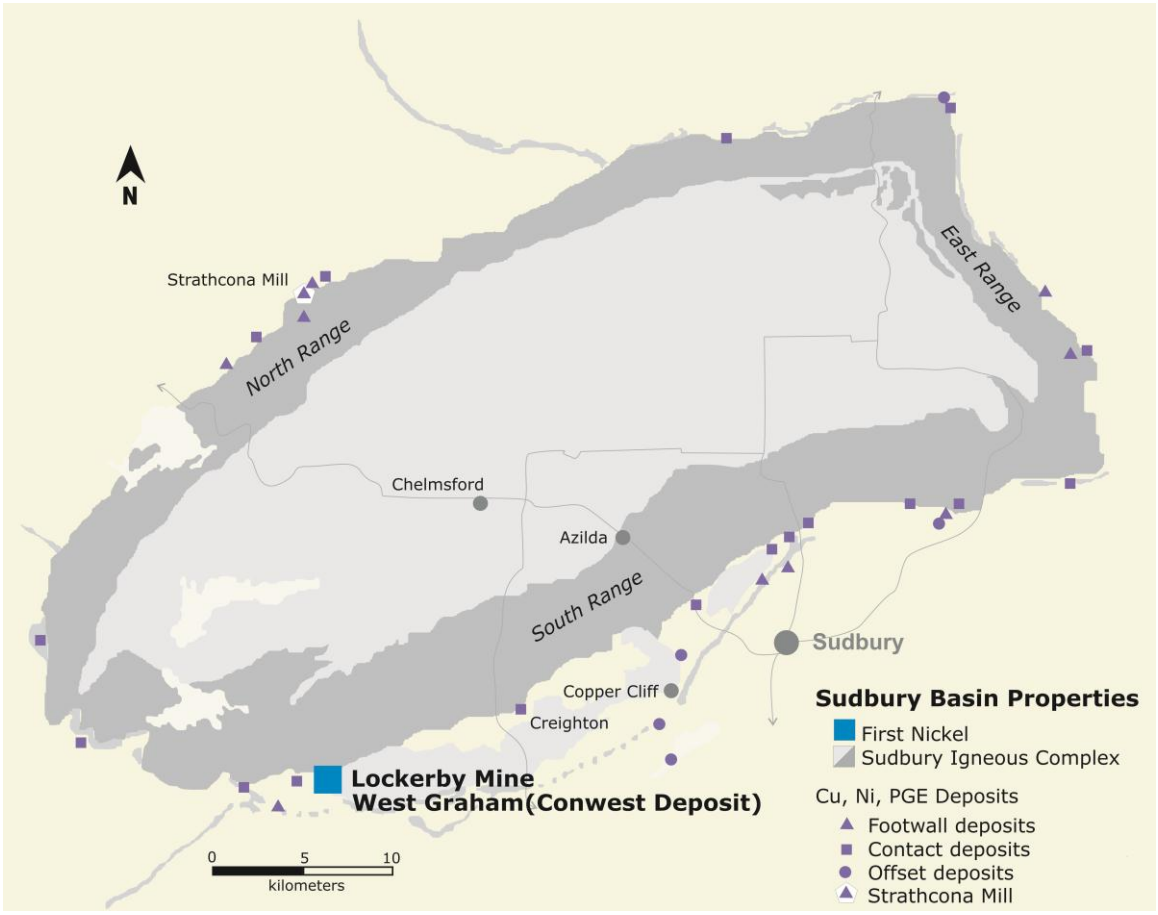
Property Description and Location

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 LM-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-2
Property Location Map



The Company acquired a 100% interest in the Lockerby Mine property effective May 31, 2005 from Falconbridge (now Xstrata Nickel), pursuant to the Asset Purchase Agreement. Pursuant to the Asset Purchase Agreement, Xstrata Nickel holds certain ongoing rights, including among others the following:

(a) rights of first refusal (which can only be exercised within 25 business days) in respect of any arm's length sale of all of the Lockerby Assets, and rights of approval (not to be unreasonably withheld) in respect of any sale of the Lockerby Assets to the holder of any adjoining properties;

(b) if the Company establishes the presence of a previously undiscovered indicated mineral resource on the Lockerby Mine lands consisting of greater than 150 million pounds of nickel equivalent metal, Xstrata Nickel will have a back-in right (which can only be exercised within 45 business days) to reacquire a 51% interest in the Lockerby Assets (and to be the operator) by incurring expenditures at the Lockerby Mine in an amount equal to 200% of the Company's exploration expenditures incurred in locating and verifying such resource; and

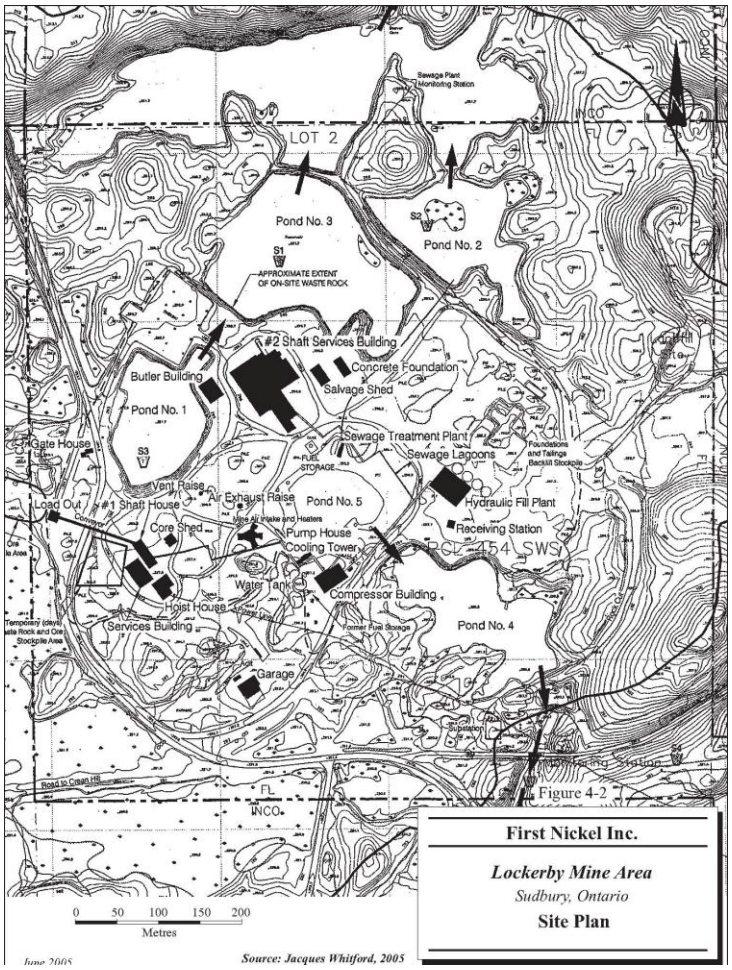
(c) the right (which can only be exercised within 60 business days) to reacquire the Lockerby Assets for nominal consideration should the Company fail to bring the Lockerby Mine back into commercial production following the suspension or halt of such production for a period of greater than 42 consecutive months from the date of the halt.

The western portion of the Lockerby Depth Zone extends into adjacent property owned by Vale Limited ("**Vale**") and represents a significant portion of the ore body. In conjunction with the Lockerby Mine acquisition, the Company entered into a mining rights and royalty agreement dated May 31, 2005 as amended by letter dated December 12, 2007, with Inco Limited (now Vale) (the "**Vale Agreement**") pursuant to which the Company has mined and intends to continue to mine, extensions of the Depth Zone ore body and in return pays a royalty to Vale. The Vale Agreement provides for an on-going term, but may be terminated by either party upon at least six months prior written notice.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

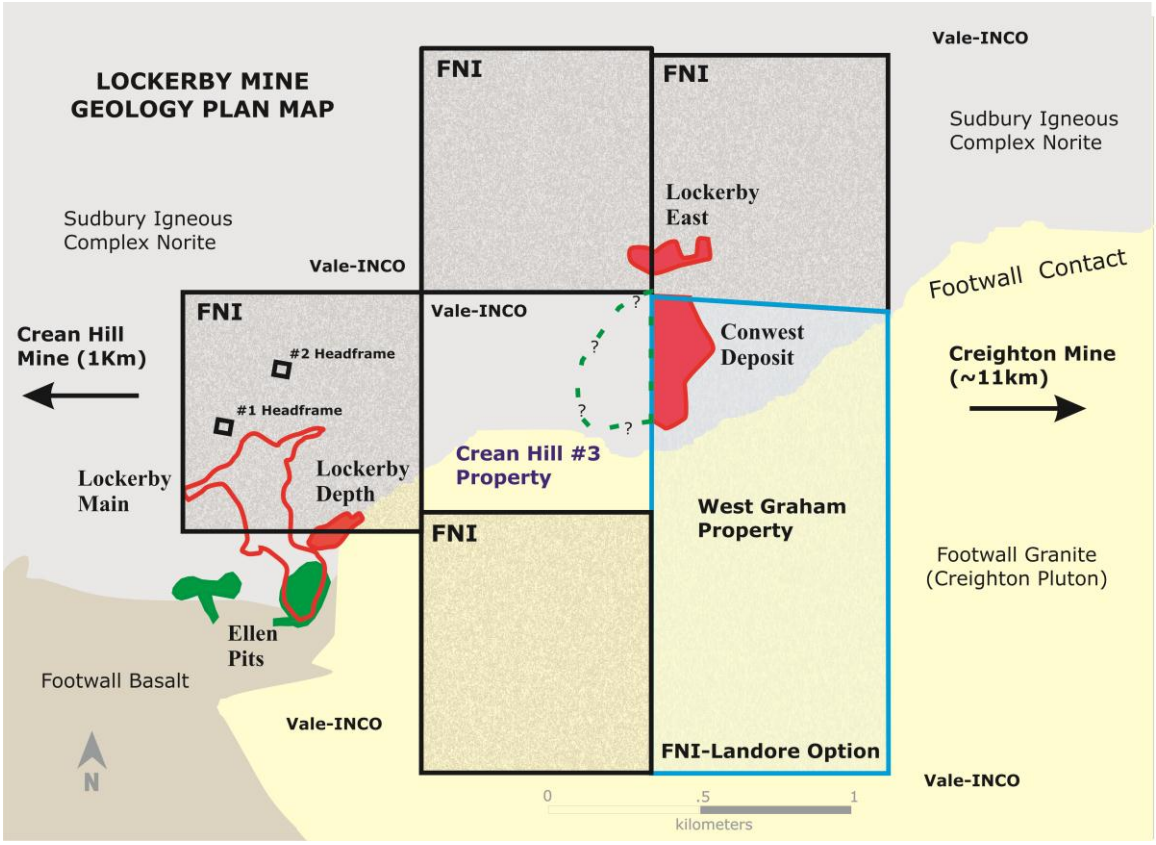
The Lockerby Mine property is located approximately 32 kilometres west of Sudbury by road. Paved and unpaved roads connecting to Highways 144 and 17 give access from the north (over the Vermillion River), and from the south, respectively. Commercial scheduled air service is available at the Sudbury Airport, 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-3
Lockerby Mine Area



Lockerby Mine #1 and #2 shafts extend from surface to 1,300 metre depth, providing access for personnel and materials, and hoisting ore and waste to surface. An internal winze, #3 shaft, 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 hoist operator. The hoisting system is rated for one million tonnes per year.

The Lockerby Mine is equipped with an internal ramp from 40L to 65-0L, and an access drift from #1 Shaft 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 Lockerby 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.

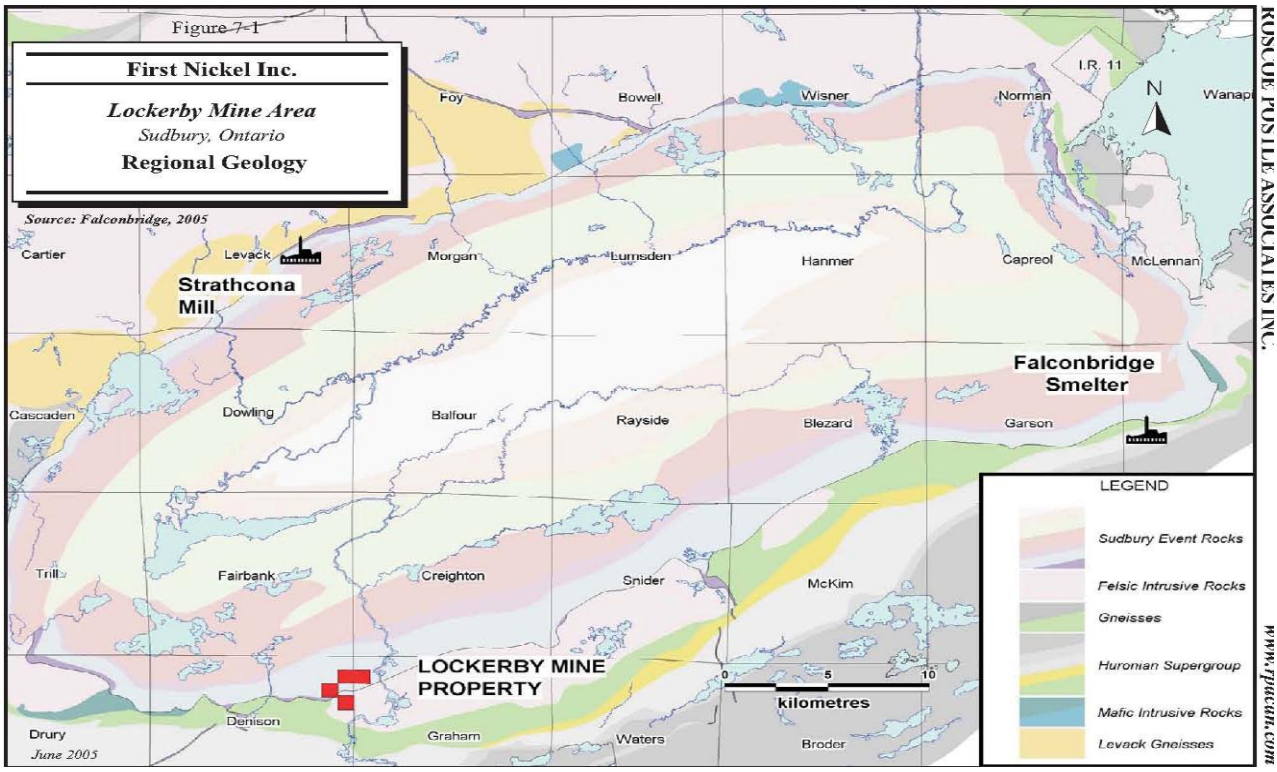
Geological Setting

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 LM-4
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 Lockerby 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 Lockerby Depth Zone is 150 metres below the lowest working level of the Main Zone. The Lockerby 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 Lockerby 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 Lockerby 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 Lockerby Depth Zone at shallower depth than the Lockerby 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 Lockerby 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 Lockerby 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 Lockerby Depth Zone.

Recent Drilling by the Company

The Company began a definition diamond drill program for the Lockerby Depth Zone orebody in August of 2011. A total of 57 holes totalling 3004 metres of diamond drill core had been completed on the property as of December 31, 2011. The drilling was carried out by Bradley Brothers Limited of Rouyn-Noranda, Quebec. The diamond drilling focused primarily on further defining of the Lockerby Depth Zone resource for mine planning. (See "Mineral Resource and Mineral Reserve Estimates" below).

A detailed computer supported drillhole compilation and interpretation work was done by the Company and used to provide the necessary level of confidence to proceed with development work and subsequent production stoping in the Lockerby Depth Zone.

Sampling, Analysis and Security of Samples

During the definition drill program, the drill core was collected daily from the drill rigs and securely transported by Company personnel to a core logging facility located on surface at 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 (>10%) 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.

The drill core was sawed in half, photographed and then sampled. The remaining half-core was stored for future reference, at the Lockerby core storage facility. Each lot (1 drill hole) had a blank and a certified nickel standard at a frequency of at least one blank or standard per 25 samples.

The Company's core samples for 2011 were sent for assay to 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). SGS then sent the pulps to Toronto (SGS XRAL) for analysis of nickel, copper, cobalt (sodium peroxide fusion with ICP-OES finish) and sulphur (Leco furnace).

Assay results and certificates were received digitally. Results were compared to expected visual estimates, and standards and blanks were checked for their expected results. This QA/QC work was diligently scrutinised by the company's Principal Geologist, A.S. Peloquin, Ph.D., P.Geo., as well as the actual core logger for each hole.

One pulp duplicate sample was taken for each batch of samples and for analysis at a second commercial laboratory (AGAT Laboratories, in Mississauga, Ontario).

The Lockerby Mine diamond drilling programs were being carried out under the supervision of the Company's Senior Mine Geologist, Daniel J. Cooper, P.Geo., a "qualified person" as that term is defined in NI 43-101 and 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 in 2009 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. The results of the resource estimate are reported in the Lockerby Technical Report and 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 (1)					
Lockerby Depth Zone (2)	1,420	2.58	1.60	0.098	3.14
East Zone (3)	180	2.32	0.78	0.048	2.60
Upper West (4)	250	0.95	1.00	0.046	1.30
Total Indicated (5)	**1,840**	**2.33**	**1.44**	**0.086**	**2.84**
Inferred(1)					
Lockerby Depth Zone (2)	530	1.79	1.13	0.066	2.18
East Zone (3)	40	2.93	0.80	0.059	3.22
Total Inferred (5)	**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 Zone 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 Total 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 Zone; 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 Lockerby Depth Zone feasibility study on February 27, 2009 on the development and mining of the Lockerby Depth Zone from GENIVAR. The corresponding NI 43-101 technical report was filed on SEDAR on April 13, 2009. The Lockerby Technical Report in its entirety was filed on SEDAR.com on November 5, 2010 as an updated version.

The Lockerby 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%**
Lockerby Depth Zone	1,440	2.23	1.36	0.083
Total Probable	**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 trackless mechanized mining. A system of internal ramps and drifts are sized to allow mechanized access. In general, ground conditions are good and shotcrete and cablebolting is used extensively to control and maintain 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 planned system of geophones deployed at key locations in the mine which serve to monitor and record all seismic activity.

Lockerby Depth Zone

The Lockerby 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 Lockerby Depth Zone represented 80% of the total mine production. Two fresh air raises (one equipped as a second egress) supply air to the Lockerby Depth Zone. They currently extend to the 65-2 Level and are advanced level by level. Mining is carried out along 231 vertical metres on seven 33 metre high sublevels form the 2032 metre elevation (floor of 70 Level). The orebody is accessed via a ramp which is driven at a grade of 15% and level crosscuts to main haulage drifts. Haulage drifts are driven parallel to the orebody along an East-West axis from which drawpoints are mined transversely to access each stope. Drawpoints are excavated perpendicular to the long axis of the orebody. In the Hanging Wall Zone, previously developed drawpoints are slashed out and expanded prior to mining of stopes.

Three-inch diameter upholes are drilled using an electric hydraulic drill and are then loaded with bulk emulsion explosives. Remote 6 yard scooptrams are then used to muck the ore to 42 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

Ore from the Lockerby Depth Zone is transported via haulage truck to 5000L where it is stored or dumped directly into a short ore pass which is equipped with a rockbreaker and grizzly. On 5100L, F-Feeder controls the flow of ore from the 5100 ore pass onto F-Conveyor where it is dropped into a measuring bin and the #3 Shaft loading pocket.

Ore then travels via skip up the #3 Shaft internal winze to 4200L where it enters E Bin and is conveyed on E Conveyor to the 4300L Crusher Bin. After being crushed to -6" the material is stored in D Bin where it is fed onto D Conveyor through D Feeder. D Conveyor transports the ore to B Bin where it gets loaded onto B Belt and moved to A Bin. After leaving A Bin, the ore is conveyed over A Conveyor to the 4300L #1 Shaft Loading pocket and taken to surface via one of the two #1 Shaft skips.

At surface, ore is emptied from the skip into the #1 Headframe Bin and fed onto a short conveyor by the Surface Bin Feeder and dumped outside the headframe onto the ground. From here a loader loads the ore into the Day Crushing plant. After it is crushed to -1", the ore is stacked in the Surface Ore Shed.

Waste brought to surface follows the same route as ore except at surface where it is diverted into the waste dump side of the headframe and transported via truck to the long term waste storage are on site.

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.

In 2010, the Company recalled 37 employees comprised of 5 clerical and technical employees, 10 support staff and 22 production and maintenance personnel at the Lockerby Mine.

In 2011, the Company employed a total of 119 employees comprised of 12 clerical and technical employees, 28 support staff and 79 production and maintenance personnel. Surface crushing, haulage to the Strathcona Mill, development and raise mining, longhole drilling and diamond drilling were all subcontracted.

Three year Collective Bargaining agreements were signed between the Company and its two union locals, namely the United Steelworkers, Local 2020, Unit 64 effective April 27, 2010 and the CAW Local 598 of the Sudbury Mine, Mill & Smelter Workers Union effective July 23, 2010. The collective bargaining agreements expire on the anniversary dates in 2013.

2011 Production

In 2011, the production restarted from the Lockerby Mine, with first ore being shipped to the Strathcona mill in September. For the year, the Company shipped 23,924 tonnes or ore at an average nickel grade of 1.71% and an average copper grade of 1.02%, resulting in 901,657 pounds of nickel and 537,831 pounds of copper.

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 2011, there were zero lost time injuries compared to zero lost time injuries in both 2009 and 2010. When an incident occurs, an investigation is conducted, followed by a report detailing action plans which are 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 which are all aimed at reducing the injury occurrences and an improved safety performance.

There were three reportable environmental incidents in 2011. All regulated environmental requirements were completed and submitted.

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 Ontario Ministry of the Environment 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 ("**MNDMF**") 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 MNDMF 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 of 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 that were addressed by an addendum to the second cycle study provided in 2010.

OTHER PROPERTIES

In addition to the Lockerby Mine, the Company also has interests in the following mineral properties:

- West Graham property
- Dundonald property;
- Raglan Hills property and Henderson property; and
- Belmont property.

West Graham

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 and is adjacent to the Lockerby Mine. The property consists of 129.9 ha contained in the parcel 29073 that occupies Lot 12, Concession 5, Graham Township as registered in the Land Titles Division of Sudbury. The West Graham Property is owned 70% by the Company, which was acquired pursuant to a definitive option agreement effective November 21, 2005 with Landore, as amended by letter agreement on November 23, 2007 (the "**Landore Option Agreement**"). The Company prepared an audited statement and submitted 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 on March 22, 2010. Landore opted not to participate in the property to the extent of its 30% working interest, whereby the Company has the option to increase its interest to 85% by completing a bankable feasibility study by October 12, 2012.

The Company previously considered the West Graham property to be a material property for purposes of NI 43-101. However, in connection with the Company's ongoing review process of its mineral properties, for the fiscal year ended December 31, 2011, the Company determined that the West Graham property was no longer material. A technical report on the West Graham property was last filed in January 2009.

Dundonald Property

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 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 cover approximately 469.4 hectares, for an aggregate of 967.4 hectares. The Company no longer considers the Dundonald project to be material for purposes of NI 43-101. A technical report on the Dndonald South property was last filed in January 2009.

Raglan Hills and Henderson Property

Raglan Hills Property

The Raglan Hills property, comprises approximately 4,275 hectares in 27 unpatented mining claims in two separate blocks in Raglan and Lyndoch Townships, Renfrew County, Ontario. Low priority, unpatented mining claims in Mayo and Carlow Townships were allowed to lapse in 2010. Two unpatented mining claims comprising the Henderson Option are jointly held 50:50 by the Company and Melkior Resources Inc. The property is located approximately 32 kilometres east-northeast of Bancroft, Ontario and is accessed via unpaved roads connecting to Highway 28.

A joint venture agreement was entered into on October 31, 2007 between the Company and Pacific North West Capital Corp. (the "**JV Agreement**") 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. On July 7, 2010, the Company provided notice that Pacific North West Capital Corp.'s interest in the property had dropped below 10% based on the dilution formula provided in the JV Agreement triggering the conversion of their interest into a 1.5% net smelter return royalty.

Henderson Property

The Company and Melkior Resources Inc. signed an option agreement on July 31, 2009 whereby the Company has the right to earn up to an 80% interest in two unpatented claims in Raglan and Lyndoch Townships in the Southern Ontario Mining Division of Ontario comprising the Henderson property. The Company can earn 50% by spending $60,000 on exploration. On July 21, 2010, the Company provided notification to Melkior at the 50-50 point and Melkior decided to participate in a 50-50 Joint Venture on a moving forward basis.

Belmont Property

The Belmont property comprises greater than 7,800 hectares of mining rights in several claim blocks representing 69 unpatented mining claims, which are 100% owned by the Company. A total of 21, low priority, unpatented mining claims were allowed to lapse in 2010. The claims are located in Belmont, Lake, Limerick, Marmora and Wollaston Townships located near Marmora, Ontario.

DIVIDENDS

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.

CAPITAL STRUCTURE

General Description of Capital Structure

The Company is authorized to issue an unlimited number of common shares, of which 510,301,649 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.

MARKET FOR SECURITIES

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, 2011:

Month	Low ($)	High ($)	Close ($)	Volume
January, 2011	0.13	0.17	0.145	18,023,469
February, 2011	0.14	0.215	0.17	40,965,436
March, 2011	0.135	0.175	0.155	20,141,079
April, 2011	0.15	0.17	0.15	11,004,313
May, 2011	0.145	0.19	0.19	12,111,502
June, 2011	0.15	0.185	0.165	13,957,088
July, 2011	0.15	0.18	0.15	8,344,722
August, 2011	0.04	0.155	0.14	12,188,457
September, 2011	0.105	0.15	0.115	10,705,029
October, 2011	0.09	0.13	0.115	9,292,453
November, 2011	0.105	0.135	0.115	4,157,423
December, 2011	0.105	0.12	0.11	3,203,511

DIRECTORS AND OFFICERS

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
Thomas M. Boehlert President, Chief Executive Officer and Director Ontario, Canada	Prior to joining First Nickel, was most recently Chief Financial Officer, Executive Vice President of Kinross Gold Corporation between April 2006 and March 2011. Prior to his position at Kinross, Chief Financial Officer of three energy companies; Texas Genco in Houston, Centrica North America in Toronto and Sithe Engeries in New York.	September 2011
William J. Anderson[(4)] Co-Founder and Director Ontario, Canada	Previously mineral industry consultant. President of MPH Consulting Limited, 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.	May 2004
C. David A. Comba[(1)(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, Chief Financial Officer of Excellon Resources Inc., a mining company, from July 2010 to June 2011; Corporate Director since June 2009; Prior to June 2009 Chief Financial Officer of Volta Resources Inc., a mining company.	October 2006
Lyle R. Hepburn[(1)(2)] Director Ontario, Canada	Corporate lawyer.	October 2006
Russell Cranswick[(3)(4)] Director Colorado, USA	Mr. Cranswick is a professional geologist who is a partner of RCF. Prior to his 12 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, Selwyn.	July 2009
Steven Cresswell Vice President and Chief Financial Officer Ontario, Canada	Prior to joining the Company was Chief Financial Officer at Melior Resources Inc. Previously held positions as the CFO for Keeper Resources Inc. and for Tiberon Minerals PTE, a Singaporean company developing a polymetallic mine in Northern Vietnam.	November 2011
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).	June 2005

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
Sean Samson Vice President and Head of Corporate Development; Vice President Operations (interim) Ontario, Canada	Prior to joining First Nickel, was EVP of Pulse Energy Inc., an energy software company based in Vancouver. Prior to Pulse, he spent five years at Kinross Gold Corporation, as VP, Commercial Development. Previously Mr. Samson was Director of Strategy and M&A for Centrica North America, was a management consultant for Bain & Company and traded at investment banks in New York and Istanbul.	December 2011

Notes:

(1) Member of the Audit Committee of the Board of Directors. The members of the Audit Committee are Robert F. Whittall (Chairman), Lyle R. Hepburn and C. David A. Comba.

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

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

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

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 5,491,429 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 1.08% of the issued and outstanding common shares of the Company on a non-diluted basis.

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.

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.

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.

Commercial Nickel Deposits

First Nickel has one material property for purposes of NI 43-101, the Lockerby Mine, which represents the Company's sole producing asset. The balance of the Company's mineral property interests are in the exploration stage only and without a known body of mineral reserves or mineral resources. The Lockerby Mine accounts for all of the Company's mineral resources and the potential for the future generation of revenue. Any adverse development affecting the progress of the Lockerby Mine or the Company's ability to generate revenue from the Lockerby Mine including, but not limited to, continued operation of the mine on terms consistent with First Nickel's expectations or hiring suitable personnel and mining contractors on commercially suitable terms, may have a material adverse effect of the Company's financial performance and results of operations.

The Company must continually explore its existing assets, or acquire additional assets, to replace and expand its mineral reserves and mineral resources. The life-of-mine estimate included in this AIF for the Lockerby Mine is based on First Nickel's best estimate given the information available to the Company. This estimate may not be

correct. The Company's ability to maintain or increase its annual nickel production depends in significant part on its ability to find new mineral reserves and mineral resources, to bring new mines into production and to expand mineral reserves and mineral resources at existing mines.

Development of the Company's additional mineral property interests would follow only if favourable exploration results are obtained. The business of exploration for minerals and mining involves a high degree of risk. There is no certainty that any expenditure made in the exploration of First Nickel's properties will result in discoveries of commercially recoverable quantities of nickel. Such assurance will require completion of final comprehensive feasibility studies and, possibly, further associated exploration and other work that concludes a potential mine is likely to be economic. In order to carry out exploration and development programs of any economic nickel body and place it into commercial production, First Nickel will be required to raise substantial additional funding.

Uncertainty in Mineral Resource and Mineral Reserve Estimates

There is a significant degree of uncertainty attributable to the calculation of mineral resource 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. Inferred mineral resources that are not mineral reserves do not have demonstrated economic viability. Due to the uncertainty which may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to mineral reserves as a result of continued exploration.

Production Estimates

The Company may not achieve its production estimates. The failure of the Company to achieve its production estimates could have a material adverse effect on any or all of its future cash flows, profitability, results of operations and financial condition. The realization of production estimates is dependent on, among other things, the accuracy of mineral reserve and mineral resource estimates, the accuracy of assumptions regarding ore grades and recovery rates, ground conditions (including hydrology), the physical characteristics of ores, the presence or absence of particular metallurgical characteristics, and the accuracy of the estimated rates and costs of mining, ore haulage and processing. Actual production may vary from estimates for a variety of reasons, including: the availability of certain types of ores; the actual ore mined varying from estimates of grade or tonnage; dilution and metallurgical and other characteristics (whether based on representative samples of ore or not); short-term operating factors such as the need for sequential development of ore bodies and the processing of new or adjacent ore grades from those planned; mine failures, slope failures or equipment failures; industrial accidents; natural phenomena such as inclement weather conditions, floods, droughts, rock slides and earthquakes; encountering unusual or unexpected geological conditions; changes in power costs and potential power shortages; shortages of principal supplies needed for mining operations, including explosives, fuels, chemical reagents, water, equipment parts and lubricants; plant and equipment failure; the inability to process certain types of ores; labour shortages or strikes; lack of required labour; civil disobedience and protests; and restrictions or regulations imposed by government agencies or other changes in the regulatory environment.

Such occurrences could also result in damage to mineral properties or mines, interruptions in production, injury or death to persons, damage to property of the Company or others, monetary losses and legal liabilities in addition to adversely affecting mineral production. These factors may cause a mineral deposit that has been mined profitably in the past to become unprofitable forcing the Company to cease production.

Increases in Capital and Operating Cost Estimates

Capital and operating costs are estimated based on the interpretation of geological data, feasibility studies, anticipated climatic conditions and other factors. Currently, the mining industry is facing an industry-wide cost escalation in materials, labour, energy, engineering, and equipment. While the Company has incurred the majority of the capital expenditures required at the Lockerby Mine, additional unforeseen expenditures may be incurred during commercial production. In addition, the Company will be subject to increased capital and operating costs in respect

of its activities at its additional mineral properties. Any of the following events, among the other events and uncertainties described in this AIF, could affect the ultimate accuracy of such estimate and result in an increase in actual capital and operating costs incurred; unanticipated changes in grade and tonnage of ore to be mined and processed; incorrect data on which engineering assumptions are made; equipment delays or costs; labour negotiations; changes in government regulation (including regulations regarding prices, costs of consumables, royalties, duties, taxes, permitting and restrictions on production quotas on exportation of minerals); and title claims against the Company's property interests. Material increases in capital and operating costs at the Lockerby Mine and the Company's other mineral projects may have a material adverse effect on the Company.

Exploration for and Development of Mineral Projects

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 a resource 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 mineral 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: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are highly cyclical; government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection; ongoing costs of production; and 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 a material adverse effect on the Company.

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.

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.

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 from October 19, 2008 through September 2011 was 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 net loss of $24,208,062, in 2009 by a net loss of $7,518,262, in 2010 by a net loss of $10,194,540. In 2011 the Company recorded net earnings of $25,157,087. 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 have been prepared on a basis which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue to do so is dependent on the ability of the Company to raise equity financing and attain and sustain profitable operations. There are no assurances that the Company will be successful in achieving these goals. The financial statements do not give effect to adjustments that would be

necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Changes in Nickel Prices

The profitability of the operations of the Company is significantly affected by changes in the market price of mineral commodities, in particular to changes in nickel prices. 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. Market events and conditions, including the disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions in 2008 and 2009, have caused significant volatility to commodity prices. These events are illustrative of the effect that events beyond the Company's control may have on commodity prices, demand for metals, including nickel, availability of credit, investor confidence, and general financial market liquidity, all of which may affect First Nickel.

Furthermore, reserve calculations and life-of-mine plans using significantly lower nickel metal by-product prices could result in material write-downs of First Nickel's investment in mining properties and increased amortization, reclamation and closure charges.

Foreign Exchange Rates

The Company is subject to the risks associated with the fluctuation of the rate of exchange of the Canadian dollar and the United States dollar as commodity prices typically trade in US dollars while the Company's operations and expenditures are in Canadian dollars. Such fluctuations may materially affect the financial position and results of the Company. The Company does not currently take any steps to hedge against currency fluctuations although it may elect to hedge against the risk of currency fluctuations in the future. There can be no assurance that steps taken by the Company to address such currency fluctuations will eliminate all adverse effects of currency fluctuations and, accordingly, the Company may suffer losses due to adverse foreign currency fluctuations.

Mining Risks and Hazards

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.

Intense Competition

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. In addition, First Nickel competes for the

recruitment and retention of qualified employees and service providers. Many 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.

Single Purchaser of Lockerby Mine Production

Pursuant to the Xstrata Off-take Agreement, Xstrata Nickel has agreed to purchase all ore produced using any infrastructure or assets comprising the Lockerby Mine, for processing at Xstrata Nickel'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.

Independent Contractors

First Nickel's success also depends, to a significant extent, on the performance and continued service of independent contractors. First Nickel will contract the services of professional drillers and others for exploration, environmental, construction and engineering services. Poor performance by such contractors or the loss of such services could have a material and adverse effect on First Nickel and its business and results of operations and could result in failure to meet business objectives.

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.

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.

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, 29,549,358 incentive stock options granted to certain directors, officers, employees and consultants of the Company, pursuant to the Company's Stock Option Plan, as amended, are outstanding and the Company also has 171,553,178 warrants outstanding. As of the date of this AIF, there were 510,301,649 common shares outstanding, meaning that the exercise of all of the existing stock options and warrants would result in further dilution to the existing shareholders of approximately 39.4% of the outstanding common shares. Should such stock options and warrants 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 20,000,000 common shares. As at the date of this AIF, the Company has issued **20,055,856** common shares to RCF for payment of interest.

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.

Significant Regulation

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.

Compliance with Laws

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.

Uninsurable Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate the funds available for acquisition of mineral prospects or exploration, increase costs to the company, reduce future profitability, if any, and/or lead to a decline in the value of the Common Shares.

Environmental and Safety Regulations and Risks

Environmental laws and regulations may affect the operations of the Company. These laws and regulations set various standards regulating certain aspects of health and environmental quality, including air and water quality, mine reclamation, solid and hazardous waste handling and disposal and the promotion of occupational health and safety. These laws provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted. The permission to operate can be withdrawn temporarily where there is evidence of serious

breaches of health and safety standards, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on First Nickel for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or noncompliance with environmental laws or regulations. To the extent that the Company becomes subject to environmental liabilities, the satisfaction of any such liabilities would reduce funds otherwise available to the Company and could have a material adverse effect on the Company. The Company intends to minimize risks by taking steps to ensure compliance with environmental, health and safety laws and regulations and operating to applicable environmental standards. There is a risk that environmental laws and regulations may become more onerous, making the Company's operations more expensive.

Mineral Titles

Although First Nickel has reviewed title for its properties, there is no guarantee that title to such mineral property interests will not be challenged or impugned and no assurances can be given that there are no title defects affecting its mineral properties. First Nickel's mineral property interests may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. The Company has not conducted surveys of the claims in which it holds direct or indirect interests; therefore, the precise area and location of such items may be in doubt. There may be valid challenges to the title of the mineral property interests which, if successful, could impair the exploration, development and/or operations of the Company's properties, including the Lockerby Mine.

First Nations

First Nickel is committed to working in partnership with our local communities and First Nations in a manner which fosters active participation and mutual respect. The Company regularly consults with communities proximal to the Company's exploration activities to advise them of plans and answer any questions they may have about current and future activities. However, First Nations in Ontario are increasingly making lands and rights claims in respect of existing and prospective resource projects on lands asserted to be First Nation traditional or treaty lands. Should a First Nation make such a claim in respect of the Company's properties and should such claim be resolved by government or the courts in favour of the First Nation, it could materially adversely affect the business of First Nickel.

Absence of Dividends

The Company has no dividend record and since it intends to employ available funds for mineral exploration and development and potential acquisitions, 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.

Sale of Substantial Amounts of Common Shares May Have an Adverse Effect on the Market Price of the Common Shares; Significant Shareholders

Sales of substantial amounts of common shares, or the availability of such securities for sale, could adversely affect the prevailing market prices for common shares of the Company. A decline in the market prices of the Company's

common shares could impair the Company's ability to raise additional capital through the sale of securities should the Company desire to do so.

RCF and a fund affiliated with West Face Capital may each beneficially own, control or direct, directly or indirectly more than 20% of the issued and outstanding common shares of the Company. Sales of the Company's common shares between such shareholders or the entering into of any agreement, arrangement or understanding by such shareholders with respect to any sales of common shares of the Company, could impact the overall voting control of the Company. The Company has no control over the actions of its shareholders with respect to these matters.

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.

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).

TRANSFER AGENTS AND REGISTRARS

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

MATERIAL CONTRACTS

Below is a list of material contracts entered into by the Company within the last financial year or before the last financial year but still in effect.

(a) Xstrata Off-take Agreement. See "Business of the Company – Lockerby Mine" above.

(b) Asset Purchase Agreement. See "Business of the Company – Lockerby Mine" above.

(c) Vale Agreement. See "Business of the Company – Lockerby Mine" above.

(d) Amended and Restated Convertible Loan Agreement dated July 23, 2009 as amended on September 1, 2010 between the Company, as borrower, and Resource Capital Fund IV L.P. ("**RCF**"), as lender, for a US$10,000,000 convertible working capital facility maturing on December 31, 2013. See "Business of the Company – Three Year History – July 2009 Convertible Debt Facility" above.

INTERESTS OF EXPERTS

Names of Experts

The current auditor of the Company is KPMG LLP.

Phil Vicker, P.Geo., M.Sc. of the Company, Marc Lavigne, Eng., M.Sc., Jacques Gauthier, P. Eng., MGP, Luc Bourguignon, Eng. of GENIVAR, prepared the Lockerby Technical Report.

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.

AUDIT COMMITTEE INFORMATION

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 Robert F. Whittall (Chairman), Lyle R. Hepburn and C. David A. Comba. Each of Mr. Whittall, Mr. Hepburn and Mr. Comba 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 is a mining engineer, a Chartered Accountant and is currently a corporate director. Mr. Whittall was at Price Waterhouse until 1994 and since then has worked in senior management positions of mining and exploration companies including TVX Gold Inc. and Volta Resources Inc. He has also served on the audit committees of several exploration and development companies.

Lyle R. Hepburn is currently practicing law at Markes Lawyers in Toronto. Mr. Hepburn's practice is focused primarily on advising and representing public mineral exploration and mining companies. Mr. Hepburn serves as a director of Gitennes Exploration Inc., Fronteer Gold Inc. and Legend Gold Corp., all of which are mineral exploration companies listed either on the Toronto Stock Exchange or the TSX Venture Exchange. He is also Corporate Secretary of Harry Winston Diamond Corporation, a diamond producing and luxury goods company listed on the Toronto and New York Stock Exchanges.

Mr. C. David A. Comba is a graduate geologist and retired executive. He held increasingly senior positions with Falconbridge Group companies 1963–1980 and 1986-1993, including serving as a director of a number of Falconbridge subsidiaries. Mr. Comba is a director of North American Palladium Ltd. and sits on the audit committee of the board. He is the former President and CEO of Pentland Firth Ventures Ltd. Mr. Comba also created and led the joint lobby effort to bring back enhanced or 'super' flow-through shares on behalf of the Canadian Diamond Drillers Association and Prospectors and Developers Association of Canada.

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, 2011, KPMG LLP will bill the Company a total of $83,000 for the year-end audit, and will bill $27,000 in connection with additional audit procedures on the Company's opening balance sheet and transition year financial statements prepared under IFRS. For the year ended December 31, 2010, KPMG LLP billed a total of $67,000 related to the annual audit and $17,000 for services rendered in connection with the review of the opening International Financial Reporting Standards balance sheet.

Tax Fees

For the years ended December 31, 2011 and 2010, 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, 2011, KPMG, did not bill the Company in respect of products or services other than those reported under "Audit Fees" and "Tax Fees", above. For the year ended December 31, 2010, KPMG billed the Company a total of $55,000 for services rendered in connection with the November 2010 Public Offering.

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 Thursday, June 16, 2011.

Additional financial information is provided in the Company's audited financial statements and management discussion and analysis for the year ended December 31, 2011.

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.
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.
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 economically and 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.
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.
Ma	means millions of years
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.
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.

SCHEDULE "A"
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.