



FIRST NICKEL INC.

ANNUAL INFORMATION FORM

YEAR ENDED DECEMBER 31, 2013

MARCH 18, 2014

TABLE OF CONTENTS

	Page
Corporate Structure.....	5
Business of the Company	5
The Lockerby Mine	10
Other Properties.....	28
Dividends.....	29
Capital Structure	29
Market For Securities	30
Directors and Officers	30
Cease Trade Orders, Bankruptcies, Penalties or Sanctions	33
Conflicts of Interest	33
Risk Factors	33
Legal Proceedings.....	40
Interest of Management and Others in Material Transactions	41
Transfer Agents and Registrars	41
Material Contracts	41
Interests of Experts	42
Audit Committee Information	42
Additional Information	43
Glossary of Technical Terms and Abbreviations.....	44
Schedule “A” Audit Committee Charter	47

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”, “FNI” 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: continued operations at the Lockerby Mine; 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; relationships with key customers and suppliers; 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; liquidity risks; 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 continuation of operations at the Lockerby Mine on terms consistent with management expectations; expectations of obtaining financing; future financial or operating performance of the Company and its projects; the ability of the Company to operate as a going concern; 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 noon exchange rates for Canadian dollars in terms of one United States dollar for each of the three years in the period ended December 31, 2012, as quoted by the Bank of Canada, were as follows:

	Year End December 31		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
High	\$1.0697	\$1.0299	\$1.0604
Low	\$0.9839	\$0.9599	\$0.9449
Rate at end of period	\$1.0636	\$1.0051	\$1.0170
Average rate for period	\$1.0299	\$1.0004	\$0.9891

On March 18, 2014, 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 = \$1.1086.

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 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 properties 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 (“**Falconbridge**”) (now Glencore Nickel, a business unit of Glencore Canada Corporation (“**Glencore Nickel**”)) pursuant to an asset purchase agreement dated effective May 31, 2005 as amended by the amending agreement with Glencore 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 the 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 declared commercial production on July 1, 2012. According to the Lockerby Technical Report (as defined herein), at maximum production, the Lockerby Mine (focused on the Lockerby Depth Zone) is expected to produce approximately 10 million pounds of nickel and 7 million pounds of copper annually, at a total cash operating cost of approximately \$5.56 per pound of nickel. FNI declared commercial production at the Lockerby Mine on July 1, 2012 and achieved its full, targeted annualized production rate of 10.0 million pounds of payable nickel in the first quarter of 2013.

For the year ended December 31, 2013, the Company produced approximately 242,000 tonnes of ore from the Lockerby Mine resulting in approximately 12.8 million pounds of contained nickel and approximately 7.5 million pounds of contained copper being produced.

The Lockerby Mine produces nickel-copper ore which is sold to Glencore Nickel under an ore sale and processing agreement dated May 31, 2005, as amended on September 15, 2008, December 13, 2010, and September 25, 2013 (the “**Glencore Off-take Agreement**”). Pursuant to the Glencore Off-take Agreement, Glencore 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 smelting and refining charges. After the 2013 amendment, with effect from July 1, 2013, Glencore Nickel pays the Company for the contained gross metal value of the delivered ore.

Employees

At December 31, 2013, the Company employed 180 persons, excluding services provided by subcontractors. A significant number of First Nickel’s employees are unionized employees who are represented by two unions. A four year collective agreement with Mine Mill Local 598/CAW (“Local 598”) was ratified by the membership of Local 598 on July 10, 2013. A five year collective agreement was ratified by the membership of the United Steelworkers, Local 2020, Unit 64 on May 3, 2013. The collective agreements cover the production, maintenance and some technical, office and clerical personnel at the Lockerby Mine. First Nickel considers its employee relations to be 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 has implemented safety and work practice guidelines at the mine that are consistent with industry best practices. There were four lost-time injuries in the period from 2010 through June 6, 2012, and none since that date, including all of 2013.

Three Year History

January 2011 Debt for Equity Exchange

On January 20, 2011, the remaining US\$1,828,940 (\$1,947,090) of the Bridge Loan, which had been extended by the Company’s shareholder Resource Capital Fund IV LP in the amount of US\$5.0 million on September 1, 2010, 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 forward sale contracts and received net cash proceeds of approximately US\$35 million. As a result of this transaction, First Nickel no longer planned to utilize the project debt facility to fund costs at the Lockerby Mine and availability under the facility was reduced to a nominal amount of one dollar, with a maturity date of December 31, 2012. The facility was terminated on May 14th of 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 Glencore Nickel.

November 2011 Appointment of Chief Financial Officer

On November 8, 2011, the Company announced that it had hired Mr. Steven J. Cresswell as 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 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 until June 2012.

May 2012 Appointment of Vice President of Operations

On May 2, 2012, the Company announced that it had hired Mark E. Isto as Vice President of Operations.

May 2012 Lockerby Credit Facilities

On May 18, 2012, the Company announced that it had entered into a US\$10 million revolving credit facility with The Bank of Nova Scotia with an initial 2 year term. Funds from the credit facility were to be used to finance working capital requirements for the Lockerby Mine and for general corporate purposes.

The Company also announced that it had replaced a letter of credit to its Lockerby Mine closure plan with a surety bond. The bond guaranteed the full cost of the \$5.9 million closure plan with the Company posting \$2.4 million as cash security in support of the bond. The letter of credit had previously been secured by a \$5.9 million restricted term deposit. As a result of the bond, \$3.5 million of cash was made available for the Company's use.

June 2012 Lockerby Mine Plan

On June 18, 2012, the Company announced that it had completed an updated Lockerby Mine Plan which incorporated an optimized mining method and updated costing. The study highlighted the anticipated significant reduction of more than 100,000 waste tonnes, the reduction in volume of waste through the materials handling system results in fewer ore-waste changeovers, and lower spending on fixed plant maintenance. The study contemplated an average annual production of 10 million pounds of nickel and 7 million pounds of copper.

July 2012 Appointment of Chairman of the Board

On July 3, 2012, the Company announced that it had appointed Mr. David Comba as Chairman of the Board.

August 2012 Declaration of Commercial Production

On August 14, 2012, the Company announced that on July 1, 2012, it declared commercial production at the Lockerby Mine.

January 2013 Loan Facility

On January 16, 2013, the Company announced that it had entered into a loan facility with Resource Capital Fund V L.P. ("**RCF V**") in the aggregate principal amount of US\$5.0 million. The facility matures on December 31, 2013 and the proceeds were to be used for working capital and corporate requirements. The Company issued 2,495,840 Common Shares of the Company to RCF V in satisfaction of the establishment fee for the facility. Principal owing under the facility is not convertible into Common Shares, though RCF V may require that payments of interest be satisfied with Common Shares.

February 4, 2013 Change in Board of Directors

On February 4, 2013, the Company announced the appointment of Mr. João Carrêlo to the Board of Directors and the retirement of Mr. Thomas Pugsley, effective February 1, 2013.

March 2013 Loan Facility

On March 6, 2013, the Company announced that it had entered into a loan facility with West Face Capital Fund V L.P. ("**West Face**") in the aggregate principal amount of US\$5.0 million. The facility matures on December 31,

2013 and the proceeds were to be used for working capital and corporate requirements. The Company issued 3,425,831 Common Shares of the Company to West Face in satisfaction of the establishment fee for the facility. Principal owing under the facility is not convertible into Common Shares, though West Face may require that payments of interest be satisfied with Common Shares.

April 2013 Restructuring of Indebtedness

On April 1, 2013, the Company announced that it had entered into agreements with its lenders to restructure all of the Company's existing indebtedness. The refinancing included an increase in the principal amount of the revolving credit facility (the "**BNS Facility**") with The Bank of Nova Scotia ("**BNS**") from US\$10.0 million to US\$15 million and the extension of the maturity dates for the BNS facility and the Company's loan agreements with each of Resource Capital Fund IV LP ("**RCF IV**") and together with RCF V, "**RCF**"), RCF V and West Face, in each case to March 31, 2015. The restructuring was completed pursuant to certain available exemptions from applicable shareholder approval requirements.

April 2013 Declaration of Full Production

On April 18, 2013, the Company announced that the Lockerby Mine achieved its full, targeted annualized production rate of 10.0 million pounds of payable nickel in the first quarter ended March 31, 2013.

May 2013 Five Year Contract Ratified with United Steelworkers, Local 2020, Unit 64

On May 3, 2013 the Company announced that a five year collective agreement had been ratified by the membership of the United Steelworkers, Local 2020, Unit 64 which covers the production, maintenance and some technical, office and clerical personnel at the Lockerby Mine.

July 2013 Four Year Contract Ratified with Mine Mill Local 598/CAW

On July 10, 2013 the Company announced that a four year collective agreement had been ratified by the membership of the Mine Mill Local 598/CAW that covers the production and maintenance at the Lockerby Mine.

September 2013 Amendment to the Lockerby Ore Sale and Processing Agreement

On September 27, 2013, the Company announced that it had entered into an amendment to its ore processing agreement with Glencore Canada. The Agreement, originally entered into with Falconbridge in 2005, provides for the sale by the Company of all of the ore from the Lockerby Mine to Glencore Canada. Under the amended agreement, the Company is paid for accountable gross metal value, which is determined based on the value of the metals contained in the ore that is delivered to Glencore.

October 2013 Appointment of Chief Financial Officer

On October 3, 2013, the Company announced that it had hired Alfred Colas as Vice President and Chief Financial Officer.

November 2013 Credit Facility

On November 29, 2013, the Company announced that it had entered into agreements with its lenders to increase the amount available under the Company's existing credit facilities. The transaction involved an increase in the principal amount of the BNS Facility from US\$15.0 million to US\$18.0 million and a corresponding increase to the standby letter of credit posted by RCF V from US\$7.5 million to US\$10.5 million. In connection with the increase, the Company amended the credit facility with RCF V that backstops the standby letter of credit posted by RCF V.

THE LOCKERBY MINE

On August 3, 2012, the Company filed an NI 43-101-compliant technical report titled “*Lockerby Mine Project NI 43-101 Technical Report*” dated August 2, 2012 (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 George Darling, P.Eng., of Stantec Consulting Ltd. (“**Stantec**”), Jim Fuchs, P.Eng., of Stantec and Chester Moore, P.Eng. of Roscoe Postle Associates Inc. (“**RPA**”), 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 was undertaken to reflect operational and economic improvements to the mine development and mining sequence, and to reflect updated capital and operating cost information. The Lockerby Technical Report updated the November 2, 2010 technical report completed by GENIVAR Limited Partnership (“**GENIVAR**”). The Lockerby Technical Report continues to form the basis of ongoing mining operations at the Lockerby Mine, which reached full production during the first quarter of 2013, and achieved its production and cost targets in the year ended December 2013.

The following information is derived from the Lockerby Technical Report. This section continues to be valid and applicable to the Lockerby Mine as at the date of this AIF. Paul Davis, M. Sc., P.Geo., the Company’s Vice President of Exploration is a “qualified person” under NI 43-101 for purposes of the Lockerby Technical Report. Mike Wereszczynsky, P.Eng., PMP, Lockerby’s Mine Manager, oversees mine activities on behalf of the Company.

All references to tables and figures in this section are to the tables and figures contained in the Lockerby Technical Report, which have been substantively reproduced herein.

FNI retained Stantec to complete an updated technical study on the Lockerby Mine to reflect operational and economic improvements to the mine development and mining sequence, and to reflect updated capital and operating cost information. The results of Stantec’s work were included in the Lockerby Technical Report. The economic valuation of the project was conducted using the Internal Rate of Return (“**IRR**”), Cumulative Cash Flow (“**CCF**”), and Net Present Value (“**NPV**”) methods. The IRR, CCF, and NPV were calculated on the undiscounted project cash flows after a royalty payment to Vale Limited (“**Vale**”), and on a pre-tax and pre-finance basis. Financial statistics are as of July 1, 2012 forward.

Price projections for nickel and copper represent a 5% and 9% discount, respectively on the average consensus pricing for 2012 through 2015, as provided by 22 financial institutions as compiled by Bloomberg on May 16, 2012. Price projections used for nickel, copper, and cobalt were not varied through the life-of-mine. The rounded values for weighted average metal prices over the life-of-mine are projected at US \$8.75 per pound nickel, US \$3.25 per pound copper, and US \$15.00 per pound cobalt. Precious metal prices over life-of-mine are projected at US \$1,500 per ounce gold, US \$26.00 per ounce silver, US \$1,600 per ounce platinum, and US \$800 per ounce palladium. An exchange rate of US \$1.00/C \$ (C \$1.00/US \$) was used throughout this study. Variations in actual metal prices and foreign exchange rates during the year ended December 31, 2013 were within the ranges of sensitivity analyses that are included in the Lockerby Technical Report.

Based on the assumptions applied in the Lockerby Technical Report, total revenues generated by the Lockerby Mine Project are \$534 million and profits before capital costs total \$141 million. Mining of the Lockerby Depth Zone will generate a CCF of \$107 million. Using a discount rate of 8%, the project has an NPV of \$87 million. As the project has progressed through its planned phases of development, start-up and first year of successful operation, the calculation of IRR is irrelevant. Sensitivity calculations were completed on the project cash flow by applying a $\pm 15\%$ variance on metal prices, capital expenditures, operating costs, and \$US/\$ C exchange rate, in 5% increments. The sensitivity analysis indicates that the project is highly sensitive to variations in the exchange rate and in metal prices. The project has a moderate to low sensitivity to operating costs and capital expenditures respectively.

Property Description and Location

The Lockerby Mine is located at the southwestern end of the South Range of the Sudbury Igneous Complex, 30 kilometres west of the city of Sudbury, Ontario (Figure 4.1 to Figure 4.3).

Upon completion of the acquisition agreement on 31 May 2005, FNI acquired a 100% interest in the Lockerby Mine property (259.8 ha) from Xstrata. FNI also negotiated a Royalty Agreement (“**Vale Agreement**”), which has since

been amended, with Vale to mine the portion of the Lockerby Depth deposit that is on the Vale property, on the southwestern side of the deposit. The FNI property disposition of the Lockerby Mine is summarized in Table LM-1 and shown on Figure 4.4.

Table 4.1
Claims Comprising the Lockerby Mine Property

Property Identification Number (PIN)	Township	Lot	Con	Notes
73380-0296 (LT)	Graham	12	6	East Zone
73380-0297 (LT)	Graham	12	6	East Zone
73380-0298 (LT)	Graham	12	6	East Zone
73380-0299 (LT)	Graham	12	6	East Zone
73382-0281 (LT)	Denison	1	6	East Zone
73382-0241 (LT)	Denison	2	5	Depth Zone
73382-0645 (LT)	Denison	2	5	Depth Zone
73382-0646 (LT)	Denison	1	5	Depth Zone
73382-0647 (LT)	Denison	1	5	Depth Zone
73382-0324 (LT)	Denison	1	5	Lake
73382-0367 (LT)	Denison	2	5	Railway

Figure 4.1
Property Location Map

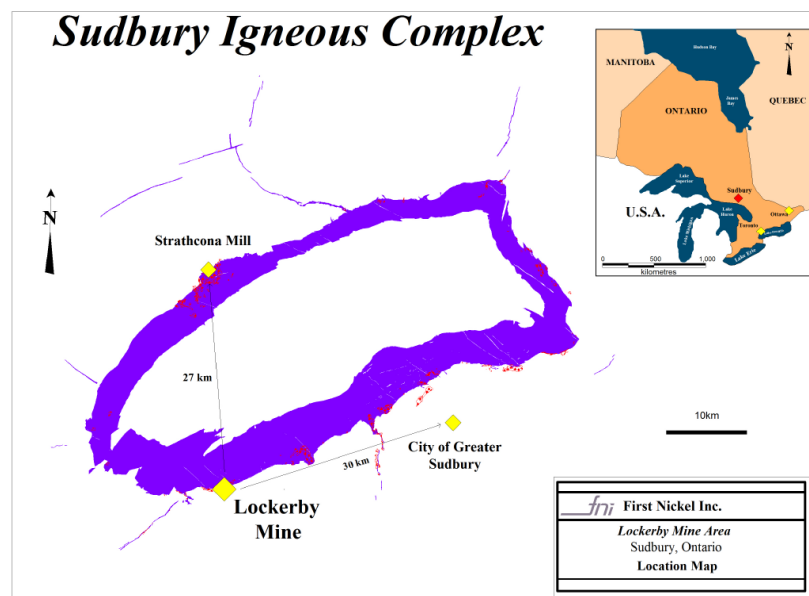
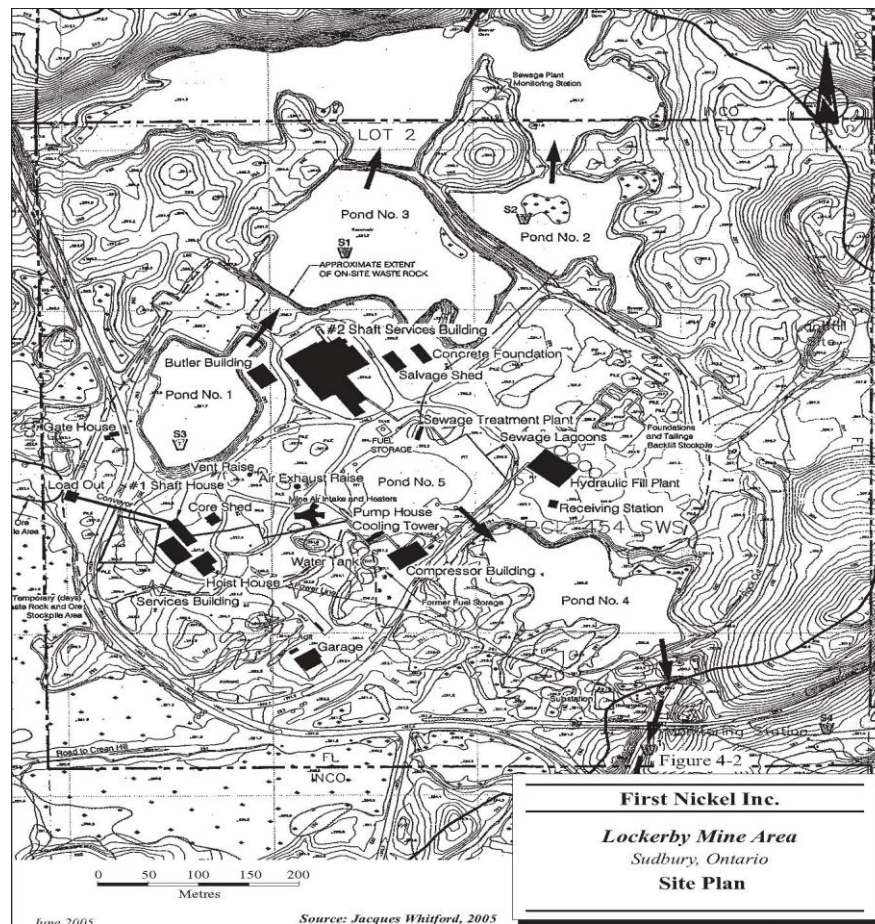


Figure 4.3 Site Plan



The Company acquired a 100% interest in the Lockerby Mine property effective May 31, 2005 from Falconbridge (now Glencore Nickel), pursuant to the Asset Purchase Agreement. Pursuant to the Asset Purchase Agreement, Glencore 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, Glencore 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 ongoing term, but may be terminated by either party upon at least six months prior written notice.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Access

The Lockerby Mine is located approximately 30 kilometres west of the City of Greater Sudbury (Sudbury), Ontario by road. Paved and unpaved roads connecting to HWY 144 provide access from the north (crossing over the Vermilion River). Commercial scheduled air service is available at the Sudbury Airport located northeast of the city. A Canadian Pacific single line spur providing rail access to the surface coarse ore bin loadout has been removed.

Local Resources

The City of Greater 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 160,274 inhabitants in the city (2011 Census data). The city is also a major centre in northeastern Ontario for commerce, government administration, education, and medical facilities. Xstrata’s Strathcona Mill is located in Onaping 60 kilometres northwest of Sudbury, and Xstrata’s smelter is located 15 kilometres to the northeast in the community of Falconbridge. Vale’s Clarabelle concentrator and smelting facilities are located on the southwest side of Sudbury in Copper Cliff.

Site Infrastructure

The Lockerby Mine surface buildings include two headframes, backfill plant, surface ore storage and sampling shed, workshops, warehouse, water treatment plant, and an administration/dry facility. Electric power is supplied from the Hydro One Martindale Transfer Station via a 115 kV line to the Lockerby Mine substation. Heating is provided by electricity and natural gas. The site’s average electrical load varies from 5 MW to 6 MW.

Domestic water is provided by an on-site treatment plant that draws raw water from the Vermilion River. Waste water reports to a conventional extended aeration sewage treatment plant and treated water is consolidated with grey water in an automated chlorine contact chamber for disinfection. Water is then pumped to an on-site pond for final polishing and subsequent passive discharge to the Vermilion River. Mine water and surface water are collected in the retention pond and report to a conventional caustic soda treatment system consisting of two ponds for metal precipitation and removal. Following retention time in Ponds 5 and 4 to settle suspended particles, carbon dioxide is added for pH conditioning and the effluent discharged to the Vermilion River watershed.

Shafts #1 and #2 run from surface to a 1,300-metre depth, providing access for personnel and materials, and hoisting ore and waste to surface. Internal shaft #3 runs from 1,200 metre to 1,550 metre depth, and is used for skipping ore and waste. The hoisting system is rated for one million tonnes per year. All three shafts are currently operated from a central control room by a single hoistman.

The Lockerby Mine is equipped with an internal ramp from a 1,200 metre to a 2,070 metre depth (68-0 Level), and an access drift eastward from the Shaft #1 station to the LKE Zone. FNI accesses the LKE Zone by ramp from 38 to 34 Level that crosses the Vale “corridor” claim. Fresh air ventilation raises extend to 65-0 Level. Communications and dewatering systems are operational throughout the active areas. Maintenance shops and refuge stations are in place and equipped.

There are no tailings ponds or waste rock treatment facilities on the Lockerby Mine site.

The physiography and climate description is derived from Routledge (2008). Terrain in and surrounding the Lockerby Mine property is characterized by moderate to subdued topographic relief dominated by second growth northern boreal forests and small lakes and swamps. Elevations (above sea level) range from 230 metres (755 feet) to 460 metres (1,500 feet). 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 climate is northern continental temperate, with warm summers and cold winters. Seasonal temperatures average 17.3°C in summer and -9.5°C in winter. Average annual precipitation is 634 millimetres of rain and 2,680 millimetres of snow.

History

The mine property was originally held by the Lockerby family from 1888 to 1908, and then by the Dominion Bank. Dominion Bank optioned the property to a succession of mining companies, and ten holes were drilled near the south property boundary. Falconbridge (now Glencore Nickel) 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 LKM Zone in 1971. Falconbridge began construction of a milling facility on site, anticipating a high production rate; however, construction was halted shortly after foundations were poured, when a decision was made to process Lockerby ore at the Strathcona Mill.

Although annual hoisting capacity is one million tonnes, underground production has never achieved this rate, peaking at 635,000 tonnes in 1984. The Depth and East Zones were mined starting in 1991-1992. To December 2003, a total of 8.26 million tonnes averaging 1.79% Ni and 1.07% Cu were produced from the Main, Depth, and East Zones at the Lockerby Mine. During its 33 years of Falconbridge production, mining was suspended from 1978 to 1980 and from 1994 to 1997 due to low nickel prices. Falconbridge put the mine on care and maintenance in September 2004.

Under FNI ownership as of May 2005, the mine resumed commercial production at the LKD Zone in January 2006, with a nominal amount of payable ore produced in December 2005 at the end of pre-production. Ore was trucked to Xstrata's Strathcona Mill for processing under an Off-Take agreement with Xstrata. Production continued from the 63, 64, and 65-3 Levels of the Depth Zone and from the 35 and 36-1 Levels of the East Zone until October 2008 when Lockerby Mine was placed on a care and maintenance program due to declining metal prices. The price of nickel rapidly fell from US\$10 per pound at the beginning of the third quarter (2006) to US\$6 per pound at the beginning of October 2008.

In 2008, FNI commissioned a life-of-mine and engineering study on the Lockerby Deep (LKD) deposit that determined key infrastructure improvements to allow the Lockerby Mine to increase production, achieve higher operating efficiencies and mine at greater depth to the present known limit of Indicated Resources in the Depth Zone at the 70 Level (1801 RL). Genivar submitted a Technical Report and Prefeasibility Study on the Depth Zone of the Lockerby Deposit in 2008, and reported results of a LKD Reserve Estimate and Mine Plan Feasibility Study (Genivar 2009), the summary of which was publicly disclosed in a First Nickel Inc. (2009a) press release dated 27 February 2009.

Lockerby Mine was reopened in September 2010 and FNI began a recommissioning campaign to refurbish key infrastructure including shafts, loading pockets, conveyors, and installed a new conveyor at the #3 Shaft loading pocket. The development program outlined in the 2009 Mine Plan and Feasibility Study commenced in May 2011 resulting in 1,226 metres of development. Production began in September 2011 extracting 23,924 tonnes at average nickel and copper grades of 1.71% and 1.02% to year end. Further optimization of the mine plan took place in 2011 and 2012 resulting in the production of this document.

In 2005, Mineral Reserves and Indicated Resources were limited, with the potential for extended mine life resting largely with the upgrading of the known Inferred Resources established by Falconbridge. Consequently, FNI commenced an underground infill drilling campaign in 2005 to upgrade the Inferred Resources in the Depth Zone

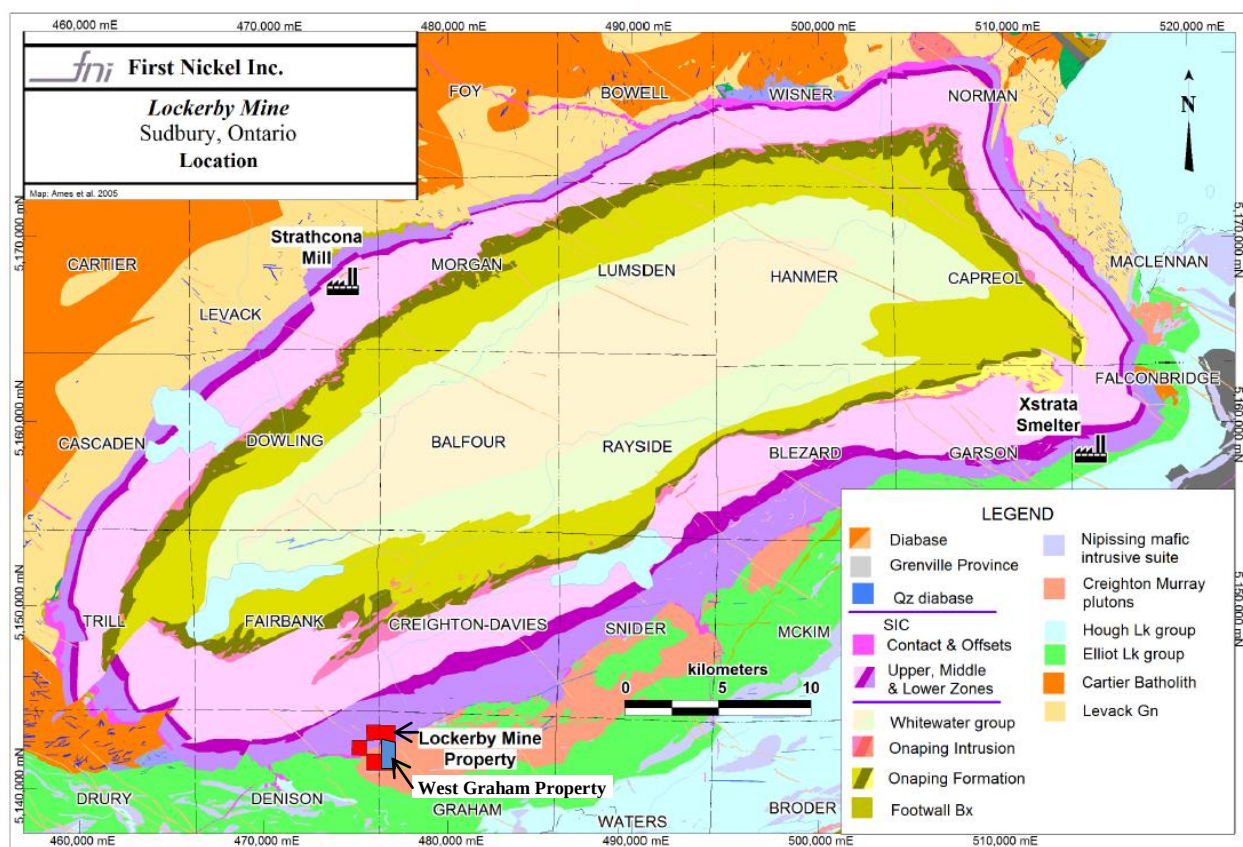
from the 64 Level to the 67 Level to Indicated Resources and expand Inferred Resources to the 72 Level as well as to confirm and expand the Inferred Resources in the East Zone below the 34 Level. Drilling was completed in 2006 and Mineral Resources estimated in the spring of 2007. In 2007-2008, underground drilling of the LKD (2007) and LKE (2008) Zones continued and drilling was undertaken on the UWZ from the 17 Level area of the Main Mine which from a review of historical production and diamond drilling information from Xstrata was speculated to host three distinct mineralized zones. In 2008, surface drilling was commenced at Lockerby East to test the up-plunge potential of the contact style mineralization associated with the Lockerby East deposit and the down-plunge potential of the hangingwall hosted Conwest Deposit located on the West Graham property optioned from Landore Resources by FNI. Additionally, in 2008 FNI initiated drilling into the Lockerby Mine footwall for exploration of footwall deposits.

Geological Setting

Regional Geology

The Lockerby Mine property lies in the southwest area of the Sudbury Igneous Complex (SIC) South Range (Figure 7.1). The Lockerby nickel-copper-cobalt deposits are located at the base of the SIC within norite, which overlies both steeply dipping Stobie Formation meta-volcanic rocks at the west end of the Creighton granite pluton, and the granite itself.

Figure 7.1
Lockerby Mine Area - Regional Geology



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.

Five zones of mineralization have been identified at the Lockerby Mine property including: the Lockerby Main Zone (“**LKM**”) and Lockerby Depth Zone (“**LKD**”) which define the main LKM-LKD trend, the Lockerby East Zone (“**LKE**”) and Conwest Deposit (“**CW**”) which form another trend about 1.5 kilometres east of the LKM-LKD trend, and the Upper West Zone (“**UWZ**”) which is situated in an apparent splay off the LKM deposit. These zones are typical of Sudbury contact deposits and consist of varying amounts of pyrrhotite, pentlandite, chalcopyrite, pyrite and magnetite, with traces of sphalerite, cobaltite, gersdorffite, and other minerals commonly associated with nickel sulphide deposits. The LKM Zone has been mined out except for remnant sills and pillars. The LKE and LKD Zones have been partially mined out, with existing mineral resources remaining in both zones. The CW has not been developed for mining.

The majority of past mining at Lockerby was derived from the LKM and LKD Zones. This trend of nearly continuous mineralization has been identified from surface to its drilled extent at 2,450 metres vertical depth. It is exposed at surface in Vale's Ellen Pit. The mineralization plunges northwesterly from surface, crosses onto FNI property at approximately 300 metres vertical depth (10 Level of the LKM deposit), and continues plunging northwesterly at 55° to 60° to approximately 600 metres vertical depth (20 Level), where it steepens to near vertical. At 800 metres vertical depth (26 Level), the mineralization reverses plunge to the southeast, shallowing in dip from approximately 70° at 900 metres vertical depth (29 Level) to approximately 55° at the base of the LKM Zone at 1,475 metres vertical depth (47 Level). At this depth, the deposit is truncated at an apparent confluence of structures. The LKM-LKD trend re-emerges at 1,600 metres vertical depth (53 Level) as the LKD Zone. The LKD Zone plunges steeply southeasterly at 75° to 1,775 metres vertical depth (58 Level) where it steepens to near vertical, and at 1,900 metres vertical depth (63 Level) plunges steeply northwest at 85°. The LKD Zone continues to plunge steeply northwest to near vertical to its known depth extent at about 2,450 metres vertical depth. The LKD Zone remains open at depth.

The main apparent control for the LKM and LKD Zones is the tri-contact joint between SIC and footwall basalt and granite. This contact is at places interpreted to represent a pre-existing and syn-SIC fault zone. The mineralization in the LKM and LKD Zones are predominately contact style, at the base of a much broader breccia pipe that straddles the tri-contact. Mineralization occurs mainly as breccia and stringer sulphides within this area. Higher up in the breccia, the mineralization occurs as blebs in the matrix of the breccia, and occasionally as disseminations in the hanging wall norite. The LKM mineralization ranges in strike length from 75 to 225 metres, and thickness from 5 to 20 metres. The LKD Zone ranges in strike length from 150 to 250 metres, and thickness typically averages 7 to 10 metres. The LKD Zone is bisected by the southern property boundary with Vale and the mineralization on the Vale side is subject to a royalty agreement between FNI and Vale.

The character of the sulphide mineralization is very similar in the various zones. The LKD Zone occurs as a sheet of sulphides at the contact between dark norite breccia sub-layer and granite on its eastern side, and basalt on the west. The sheet pinches and swells on strike and down dip, usually on a 10 to 20 metre scale. Massive sulphides in breccia are usually at or near the norite-granite contact, with stringers and disseminated sulphides continuing into the norite and dark norite breccia (“**DNBX**”) in the stratigraphic hanging wall. Some of the thicker portions of the DNBX are consistent enough with the current level of drilling to allow for the subdivision of some isolated pods of mineralization. These Hanging Zones are locally contiguous with the main contact sheet, and occasionally are separated by lower grade norite material.

LKM (historically), LKD, and UWZ mineralization is composed of breccia sulphide, and adjacent stringers and disseminations hosted by all rock types at the mine. Sulphides are approximately 80% pyrrhotite, 13% pentlandite, and 7% chalcopyrite. The breccia mineralization is approximately 40% rock fragments in a sulphide matrix. The footwall lens in the UWZ seems to follow a planar structural feature that facilitated the leakage of contact mineralization into the footwall. It appears that there is a tendency toward chalcopyrite segregation further from the contact. The Footwall sulphide mineralization is intermixed with secondary quartz and carbonate.

LKE mineralization is predominately contact style, with narrow (less than five metres thick) semi-massive to nearly massive breccia sulphide veins anastomosing proximal to the granite footwall contact locally within a micaceous shear. Conversely, the CW Zone limited contact style mineralization, comprising mostly breccia style mineralization which is predominately disseminated to blebby sulphides. The tenor of this LKE-CW trend is consistent throughout, with the mineralization containing up to 20% pentlandite, which is significantly higher than the LKM-LKD trend.

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 Sudbury production historically has come from contact deposits in the sub-layer rocks, with the notable exception of the Frood-Stobie complex. The Resources and Reserves at the Lockerby Mine property have been estimated for the LKD, LKE, and UWZ Zone contact-type deposits, and mineralization in especially thick portions of the LKD and UWZ lenses are additionally subdivided into a Hangingwall Zone unit. The UWZ includes a Footwall Zone, which varies from similar mineralogy at the contact zone, to near massive veins of chalcopyrite. There are no significant PGE's associated with this footwall zone, and it is distinct from the Cu-PGE footwall deposits identified in Sudbury such as McCreedy West, Strathcona, Nickel Rim South (Footwall), and the Levack Footwall deposits.

Sudbury Breccia has been intersected locally in footwall access drifts and drillholes at Lockerby; however, the potential for footwall deposits remains to be fully explored.

Exploration

The main focus of exploration work since the acquisition of Lockerby Mine by FNI has been the upgrading of known Mineral Resources of the LKE and LKD Zones, predominately with infill diamond drilling. These zones still have upside potential, particularly down plunge, but drill platforms are nearly exhausted to complete further work. New platforms will form part of future mine planning activities to facilitate further exploration of these two zones down plunge. An additional focus of advanced exploration was the upgrading of the CW Zone to an NI 43-101 compliant Mineral Resource, which was completed in 2008.

Compilation and interpretation to develop targets for exploration was started in 2006 on the historic drilling conducted by Falconbridge and the areas associated with historic mining infrastructure, and this remains an on-going activity at the mine. This compilation comprises more than 30 years of diamond drilling, underground mapping, sampling and mining by Falconbridge. Targets generated from this compilation included the recognition of potential to identify new mineralization to the west of the LKM Zones between 17 Level and 22 Level which culminated in the delineation of the UWZ Lenses, the identification of sparsely explored stratigraphy lateral to the LKM Zone between 10 Level and 46 Level, and potentially recoverable pillars in the LKM Zone. A weak mineralized dark norite breccia pipe was identified in the hanging wall norite from 15 Level to 33 Level in the LKM Zone, and this may have some potential for exploitation in the future, although the grade of this pipe is typically only 0.4- 0.6% nickel, and is not the subject of any engineering studies at the present time. The historic LKM infrastructure lies proximal to and surrounds this breccia pipe, and abundant historical drilling by Falconbridge has been used to assess the relative merits of this pipe. In addition, there is low grade unexploited LKD Zone

mineralization identified on 53 Level and dark norite breccia mineralization on the Vale side of 61 Level that may represent minor ore sources. These areas were previously identified by Falconbridge as having some potential to support incremental mining.

On the West Graham claim, FNI completed 14.8 line kilometres of magnetometer surveys and 11.8 line kilometres of deep penetrating, gradient induced polarization surveying. The survey indicated an anomaly coincident with the CW Zone and this was tested during the definition drilling which ended in 2008.

Also in 2008, FNI tested the area between the LKE and CW Zones with five drillholes from surface, identifying exploration potential remains in this area to connect mineralization along the trend between the two deposits. This trend region, termed the Link Zone, includes an area measuring 300 metres of strike by 400 metres of plunge of sparsely-explored contact. The Link Zone was the focus of exploration in 2012 with the completion of three diamond drillholes.

Additional exploration work by FNI has focused toward the identification of footwall type copper and gold-platinum-palladium enriched vein mineralization in Sudbury Breccia or other footwall structural features. Sudbury Breccias have been noted locally in footwall drifts and drillholes, and at surface. The initial focus of this exploration was the immediate footwall to the LKM Zone. Drilling of this area began in 2008, but was suspended in October 2008 when the mine was put on care and maintenance. Also in 2008, a surface program spanning from the east margin of the West Graham claim through to the Lockerby South Claim tested the footwall environment with 1,500 metre vertical holes on 500 metre to 700 metre centres, with Radio-Imaging cross paired geophysical surveys conducted between holes. Significant mineralization or anomalies were not identified. It is proposed to resume footwall exploration at the mine at such time as logistics permit.

Selected FNI holes from both the underground footwall exploration program and from surface drilling have been tested by UTEM down hole, large loop time domain electromagnetic surveys and PEM (pulse electromagnetic) geophysical methods. There are no additional anomalies from these surveys that remain to be tested.

Recent Drilling by the Company

Infill drilling of the Lockerby Depth deposit is an ongoing activity. The purpose of the drilling is to provide more accurate definition of the pinch and swell of the mineralization at a scale sufficient to aid detailed stope design. Currently, the drill spacing being implemented is 10 to 15 metre centres, and drillhole lengths are typically 35 to 50 metres. Drill programs are completed on a level by level basis, with each level tested once the level above has sufficient development infrastructure in place to set up drills. An updated global mineral resource estimate for the Lockerby Depth deposit comprising the recent drilling has not been undertaken. It is planned to have an updated resource model upon receipt of assays on a level by level basis in the future.

To date, detailed definition drilling of the western extents of Level 65-3, all of Levels 65-2, 65-0 and 66-0 has been completed. From the 65-3 Level (testing the 65-2 and west-65-3 Levels), 45 drillholes were completed, totaling 2,287 metres and 683 assays. From the 65-2 Level (testing the 65-0 Level), 60 drillholes were completed, totaling 2,963 metres and 1,101 assays, for an average drillhole length of 50 metres. From the 65-0 Level, 65 drillholes were completed, totaling 3,395 metres and 1,347 samples taken, for an average drillhole length of 54 metres. From the 66-0 Level, 10 drillholes were completed, totaling 329 metres and 214 samples taken, for an average drillhole length of 33 metres (testing hanging-wall mineralization). From the 67-0 Level, 19 drillholes were completed, totaling 1,121 metres and 510 samples taken, for an average drillhole length of 59 metres (testing the Centre-East stopes of the 67-0 and 68-0 Levels).

Results of the definition drilling to date have been reviewed on screen in both Datamine and Camp digital database platforms. Recent results appear to be globally consistent with the current resource model in terms of tonnes and grade interpolated for the upper portion of the Lockerby Depth Zone tested with infill drilling to date. Additional stopes have been added to the production profile to the west on 65-3 and 65-2 Levels, with the remainder of the stopes on these levels remaining as planned. As predicted, the pinch and swell of the deposit is being better captured with the tighter drill spacing, and it is reasonable to assume that the ongoing definition drilling will provide better local tonne and grade estimates when the resource model is updated later this year.

Additional drilling has not affected the resource modeling of either the UWZ or LKE Zones. The down plunge of the CW Zone was tested with a three drillhole program, and results of which were released on August 8, 2012.

Sampling, Analysis and Security of Samples

The current Mineral Resources at the Lockerby Mine for the LKD, LKE, and the UWZ Zones are based entirely on FNI underground diamond drilling and core sample assays. The CW resource utilizes recent FNI data, but also historical assay results from Conwest and Falconbridge diamond drilling in the 1960's and 1980's respectively. Details of the sample preparation, analysis and security of this historical information on the CW Zone are not available, but it is assumed that the work was completed to industry standards at the time.

For both underground and surface FNI drilling programs, drill core was collected daily from the drill rigs and securely transported by FNI personnel to a core logging facility located at surface on the mine site, or at times, to a core logging facility at the FNI exploration office in Val Caron, Ontario. Rock types with descriptions, structure, sulphide estimates, and RQD measurements were logged directly into the digital computer database. All drill core with significant sulphide mineralization (>5% sulphide for LKD and UWZ, >3% sulphide for LKE and CW) were sampled over intervals ranging from 0.15 metres to 1.5 metres depending on the intensity of sulphides and geological characteristics. There was no drill core recovery or sampling factors present which would materially impact on the accuracy or reliability of core assaying.

From 2005 until 2008 on the advanced exploration LKD and LKE projects, whole core was typically taken for assay and the unsampled core was discarded unless some technical reason dictated that it be stored for future reference at the Lockerby Core Storage Facility. In mid-2008, sampling procedures were modified for the LKE project, and all sampled core was cut for assays, with the remaining half of the core being stored at the Lockerby Core Storage Facility for future reference. Core cutting and retention of the half-sawn core was the practice for the entire UWZ and CW drill programs.

FNI diamond drilling programs utilized in the current resources were completed under the supervision, at any given time, of at least one of the following; all are "Qualified Persons" as defined by NI 43-101:

- FNI's Chief Mine Geologist, Stephen Conquer, P. Geo. (no longer with FNI);
- FNI's Sudbury Geology Manager, Philip Vicker, M.Sc., P. Geo.; or
- FNI's Exploration Project Manager, Scot Halladay, P. Geo.

FNI core samples for 2005-2006 drilling of the LKD, LKE, and CW projects were sent for assay at the SGS Mineral Services (SGS) preparation facility in Garson, Ontario, where the samples were dried, crushed to 75% passing 10 mesh (2 millimetre), split to 250 grams, and pulverized to 85% passing 200 mesh (75 microns). The specific gravity of prepared sample pulps was determined by pycnometer. One extra selected pulp per drillhole batch was retained for future testing at a second independent laboratory. SGS sent the pulps to Toronto (SGS XRAL) for analysis of nickel, copper, cobalt (sodium peroxide fusion with ICP-OES finish), gold, platinum, palladium (fire assay-lead collection with ICP-OES finish), sulphur (Leco furnace), and silver (aqua regia digestion, AAS). For the 2007 and 2008 drilling, the core samples were sent for initial preparation to Accurassay Laboratories, a commercial laboratory in Lively, Ontario. The FNI core was dry crushed to 90% passing 8 mesh (2.38 millimetres) and split in a multi-gate Jones Riffle Sampler until a 200 gram to 400 gram sample was produced. One sample per drillhole batch was selected as a pulp duplicate to be retained for future testing at a second independent laboratory; a 500 grams minimum sample was produced from this pulp. Riffle rejects were bagged and returned to FNI. The 200 grams to 400 grams samples and pulp duplicate were bagged and shipped via Manitoulin Transport to Accurassay in Thunder Bay, Ontario.

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

In the Accurassay Thunder Bay laboratory, the sample split was pulverized to 90% passing 150 mesh (106 µm). A silica-clean of the pulverizer was completed between each sample. The pulp sample was further split to prepare allotments for the various analytical methods. Specific gravity measurements were completed by pycnometer on sample pulps.

From 2005 to mid-2008, a blank sample and certified nickel standard were submitted to either SGS or Accurassay labs at a frequency of at least one blank or standard per 25 samples. In mid-2008, due to recognition by FNI personnel of a higher rate of spurious results as based on either standard or blank failure or poor correlation with visual estimate expectations, FNI initiated a new Quality Assurance/Quality Control (QA/QC) protocol. The revised QA/QC protocol requires that a minimum of 2 Standards and 1 Blank were sent with jobs of 10 to 50 samples; 1 Standard and 1 blank were included in shipments with less than 10 samples. Over 50 samples, a third Standard was inserted.

Blanks and Standards were added alternately with every increase of 25 samples in a shipment. A pulp duplicate was taken in every job of greater than five samples. Assay results were received digitally as well as by hard copy or PDF certificate, which helped to mitigate data transfer errors. Standards and blanks were checked for expected results to assure the quality of assaying was maintained.

Assay values were compared to expected visual estimates, and inter-element correlations were verified to corroborate the assay results. When data failed QA/QC protocols, re-analyses were undertaken of all or part of a batch, as appropriate, from one of: pulps, rejects or re-sawn (to quarters) drill core.

RPA has audited this work and in RPA's opinion, the sample preparation, security, and assay procedures are in keeping with current industry standards and are adequate for Mineral Reserve and Mineral Resource estimation.

All drill core, survey, geological, geochemical, and assay information used for the resource estimation was verified and approved by the FNI geological staff and maintained as a Fusion Database by an on-site database manager. FNI routinely checks the data entry components of its drillhole database and the data has been reviewed repeatedly for estimation purposes by external auditors over the past eight years.

The drillhole database is verified by the logging geologist for collar location, information discrepancies in survey versus collar data, and completeness of assay data. Additionally, all of the assay data is reviewed by a dedicated database manager, whose responsibility is to receive the data from the laboratory, verify it for acceptability according to internal protocols, and either import it into the Fusion Database or reject it back to the logging geologist for further examination.

Assay certificates for the FNI drillholes were verified against the assay database. Discrepancies between certificates and the FNI database were generally due to rounding figures. Differences in gold, platinum, and palladium results in the database from Accurassay Laboratories were due to the laboratory sending out digital data with lower detection limits indicated compared to those on the certificate. FNI concluded that this discrepancy had no impact on the Mineral Resource and Mineral Reserve estimates; errata to this effect are appended to the certificates and stored at FNI's Val Caron office facility.

RPA confirmed that all database errors had no meaningful effect on modeling or the resource estimate. These errors were subsequently corrected by FNI within the Fusion Database.

It is RPA's opinion that the data are acceptable for the purposes of overall resource and reserve estimation and economic assessments.

Mineral Resource and Mineral Reserve Estimates

Mineral Resource Estimates

The Mineral Resource estimate for Lockerby Mine was prepared by Mr. Philip A. Vicker, P. Geo., FNI's Sudbury Geology Manager. This estimate has been independently audited by Mr. Chester M. Moore, P. Eng., of Roscoe

Postle Associates Inc. (RPA), who is the Qualified Person for this Mineral Resource estimate. This estimate conforms to CIM Definition Standards for Mineral Resources and Mineral Reserves dated 27 November 2010 (CIM definitions). Results of the Resource Estimate were released on August 3, 2012 and comply with NI 43-101.

The Mineral Resource estimate for Conwest Zone was prepared on 10 October 2008, by Mr. Bruce Churchill, P. Geo., Associate Consulting Geologist with Scott Wilson RPA (now RPA). Former RPA Consulting Geologist Mr. Richard Routledge, M.Sc., P. Geo., visited the West Graham property on 26 November 2008, and was responsible for overall supervision of the assignment and preparation of the technical report filed on January 15, 2009 (Routledge, 2009). For the purposes of this report, RPA did not review the 2008 resource estimate on the Conwest Zone, but Mr. Moore has accepted the responsibility of Qualified Person for the estimate.

The Indicated Mineral Resources converted to Mineral Reserves for the Lockerby Depth (LKD) Zone are listed in the following table:

Summary of Mineral Resources – June 30, 2012 First Nickel Inc. Lockerby Mine Project, Ontario						
Classification	Cut-off Grade (%NiEq)	Tonnes (000's)	Ni %	Cu%	Co%	NiEq%
Lockerby Depth Zone	1.50	1,161	2.27	1.63	0.104	3.30

Notes:

1. CIM definitions were followed for Mineral Resources.
2. Mineral Resources are inclusive of material converted to Mineral Reserves.
3. Mineral Resources are estimated using an average long-term nickel price of US\$7.00/lb and a C\$/US\$ exchange rate of \$0.90.
4. 1.5% NiEq cut-off grade used for the Lockerby Depth Zone Indicated Resource estimate (NiEq equals Ni grade + (0.32 X Cu grade) + (0.53 X Co grade)).
5. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability.
6. With the exception of a few uneconomic remnants, all of the LKD Zone Indicated Resources have been converted to Mineral Reserves.

The Mineral Resources exclusive of Mineral Reserves for the Lockerby Depth (LKD) Zone, are listed in the following table:

Summary of Mineral Resources – 30 June 2012						
Zone	Cut-off Grade (%NiEq)	Tonnes (000s)	Ni%	Cu%	Co%	NiEq%
Indicated Resources						
East Zone	1.00	180	2.32	0.78	0.048	2.60
Upper West Zone Contact	0.80	100	0.87	0.77	0.042	1.14
Upper West Zone Hanging	0.80	100	1.04	0.81	0.048	1.32
Upper West Zone Footwall	0.80	50	0.95	1.82	0.049	1.56
Upper West Zone Total	0.80	250	0.95	1.00	0.046	1.30
Conwest Zone	0.30	8,550	0.45	0.31	0.010	0.55
Total Indicated		8,980	0.50	0.34	0.012	0.61
Inferred Resources						
Depth Zone	1.50	530	1.8	1.1	0.07	2.2
East Zone	1.00	40	2.9	0.8	0.06	3.2
Conwest Zone	0.30	2,000	0.4	0.3	0.01	0.5
Total Inferred		2,570	0.7	0.5	0.02	0.9

Notes:

1. CIM definitions were followed for Mineral Resources.

2. Mineral Resources are exclusive of material converted to Mineral Reserves.
3. All resources are stated at 100% of the total. FNI has earned a 70% interest in the West Graham property.
4. Mineral Resources are estimated using an average long-term nickel price of US\$7.00/lb. and a C\$/US\$ exchange rate of \$0.90.
5. A 1.5% NiEq cut-off grade used for the Lockerby Depth Inferred Resource estimate (NiEq equals Ni grade + (0.32 X Cu grade) + (0.53 X Co grade)) rounded to the nearest 10,000 tonnes.
6. A 1.0% NiEq cut-off grade was used for the Lockerby East Resource estimate (NiEq equals Ni grade + (0.32 X Cu grade) + (0.53 X Co grade)) rounded to the nearest 10,000 tonnes.
7. A 0.8% NiEq cut-off grade was used for the Upper West Resource estimate (NiEq equals Ni grade + (0.32 X Cu grade) + (0.53 X Co grade)) rounded to the nearest 10,000 tonnes.
8. A 0.3% NiEq wireframe cut-off grade was used for the Conwest Zone Mineral Resource estimate (NiEq equals Ni grade + (0.32 X Cu grade) + (0.53 X Co grade)) rounded to the nearest 10,000 tonnes.
9. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability.

At LKE, LKD, and UWZ, there has been no new drilling information since the previous Mineral Resource report by Vicker (2009). The 2009 study at LKD was a remodeled interpretation of the LKD mineralization at a higher cut-off grade (COG) than in the previous geological model, in an attempt to minimize the internal waste dilution identified in the Genivar 2008 prefeasibility work and to remove some of the impact of smoothing during the Ordinary Kriging (OK) process as identified by Routledge (2008). This remodeling of the LKD Zone was completed within the area being studied in the Genivar (2009) Feasibility Study, between 2032 RL and 1801 RL.

In RPA's opinion, the Mineral Resource estimates at Lockerby Mine are competently completed to industry standards using reasonable and appropriate parameters and are acceptable for use in Mineral Reserve estimation. The Mineral Resource estimates conform to NI 43-101. RPA is not aware of any environmental, permitting, legal, taxation, sociopolitical, marketing, or other relevant issues that may materially affect the estimate of Mineral Resources.

The Mineral Resource estimate for the Lockerby Mine is based primarily on information from underground drilling, supplemented in part by historical surface drilling, and underground mapping where available, to assist in the interpretations.

- 164 FNI drillholes comprising 32,453 metres of diamond drill core and 5,096 assay samples have been used for the Mineral Resource estimates for the LKD Zone.
- 94 FNI drillholes comprising 15,128 metres of diamond drill core and 2,341 assay samples have been used for the Mineral Resource estimates for the LKE Zone.
- 59 FNI drillholes comprising 10,431 metres of diamond drill core and 1,856 assay samples have been used for the Mineral Resource estimates for the UWZ Zone.
- The Mineral Resource estimates are derived from block models created using Datamine© software, applying industry standard resource modeling procedures. Grades were interpolated into the blocks using ordinary kriging (OK), and results were compared to those derived from inverse distance squared (ID2) and nearest neighbour (NN) interpolation methodologies.
- FNI classified the resource blocks above COG based on a combination of drill spacing and observed mineralized continuity. It was visually assessed to determine that there were a minimal amount of isolated blocks within the wireframe.

RPA received header, survey, assay, lithology, and solids for all the Lockerby Mine mineralized zones from FNI. The resource database audited by RPA had 317 drillholes totaling 58,012 metres. RPA flagged holes intersecting the resource wireframes and referenced 309 drillholes with intersections totaling 5,541 metres. The database contains 9,293 assay records for nickel, copper, cobalt, platinum, palladium, gold, silver, and sulphur totaling 11,447 metres of assays for an average interval length of 1.23 metres. All drill core, survey, geological, geochemical, and assay information used for the resource estimation was verified and approved by the FNI geological staff and maintained

as a Fusion database by an on-site database manager. The data has been reviewed regularly for estimation purposes by both FNI staff and external auditors over the last eight years. As well, low confidence data has been removed from the resource database.

In RPA's opinion, the assumptions, parameters, and methodology used in the Mineral Resource estimate are appropriate for the style of mineralization and proposed mining method. After completing the above checks, RPA noted that the current estimate of the Optimized LKD model was interpolated using a soft boundary between the contact zones and HZ. RPA recommends that future estimates use hard boundaries for the block model interpolation as the HZ and CTZ Zones are geologically related, but represent two different grade populations. RPA's NN check estimates indicate that while local tonnage and grades estimates may change, the difference in contained metal between a soft boundary estimate and a hard boundary estimate is relatively insignificant.

Mineral Reserves

Using the block model provided with indicated mineral resources the stope shapes were developed using the described mining dilution. Portions of the block model showing indicated mineral resources below the 1.5% NiEq cut-off grade were discarded.

Material designated as ore in the underground stopes was derived from indicated mineral resources only. The economic analysis in Section 18 of the Lockerby Technical Report reflects that part of the indicated resources which should be considered as probable mineral reserves.

The Probable Mineral Reserve for the LKD Zone is derived entirely from the Indicated Mineral Resource. Mining dilution and recovery factors have been applied which resulted in estimated Probable Reserves of 1.44 million tonnes as of January 1, 2012.

This Reserve was then adjusted to reflect the estimated ore produced from LKD Zone that had been part of the Reserves during the period January 1, 2012 through June 30, 2012.

As of July 1, 2012, Probable Mineral Reserve for the combined Lockerby Depth Zone Contact Zone and Hangingwall Zone totals 1.37 million tonnes grading 2.21% Ni, 1.39% Cu, and 0.083% Co:

LKD Zone Probable Reserve As of July 1, 2012	
ORE TONNES	1,365,965
% Ni (Diluted)	2.21
% Cu (Diluted)	1.39
% Co (Diluted)	0.083
% S (Diluted)	19.1

This mineral reserve meets CIM definition standards for mineral reserves. There are very slight variations in tonnage and grade estimates used in detailed mine planning schedule since the life-of-mine production schedule had been based on planned tonnages and grades for specific stopes during the period 01 April, 2012 through 30 June, 2012 whereas actual tonnes, grades, and specific mix of stopes had minor variations from that plan. As well, the actual volumes excavated from stopes as of June 30, is an estimate only: final reconciliation of grades with the mill are not available until a later date, and the volume of ore in stockpiles and stopes is not reconciled with cavity surveys until stopes are completed. These differences are slight (typically less than two percent) and do not materially affect the Mineral reserve estimate.

The following table presents ore production from the Lockerby Depth Zone between July 1, 2012 and December 31, 2013:

Ore Production			
Periods	Tonnes	Ni %	Cu%
July 1 – December 31, 2012	110,570	2.06%	1.29%
January 1 – December 31, 2013	245,903	2.37%	1.33%
Total	356,473	2.27%	1.32%

Mining Operations

The upper limit of the Depth Zone lies at 1,924 metres below surface (approximately 6,300 feet). The Depth Zone consists of two steep lenses in close proximity to each other and identified as the Contact Zone and the Hangingwall Zone. The Contact Zone is the main mineralized area and contains 64 stopes totaling 1,252,800 tonnes of ore at 2.34% Ni, 1.38% Cu, and 0.088% Co. The Hangingwall Zone is located north of the Contact Zone at a distance varying between 0 and 14 metres. The Hangingwall Zone contains 12 stopes totaling 183,400 tonnes of ore at 1.46% Ni, 1.20% Cu, and 0.053% Co.

Sublevels were previously mined using a top-down method while undercut drifts were driven to the east and west limits of the ore. Mining retreated towards the central access. Five panels per level, 18 m high x 25 m to 40 m long, were mined by drilling and blasting up-holes and mucking remotely. Mining operations were limited to one sublevel at a time.

Previous technical studies by Genivar proposed a top-down transverse primary stoping mine plan for the Lockerby Depth Zone. From a geotechnical viewpoint, this approach has some advantages however requires repeated development of overcuts immediately under backfill, almost always on the critical path of the stope cycle. Furthermore, it requires a disproportionate amount of level development for the given production rate; a footwall “haulage” drift the entire strike length of the orebody, and typically twelve crosscuts 30 - 40 metres long (on 15 metre centres) to independently access each transverse panel. The panels are very restricted in size requiring fixed stope cycle elements (such as fill barricade) for, in some cases, stope panels yielding less than 7,000 tonnes in total, with limited flexibility to vary the stope limits, as each is locked in as part of a primary/secondary sequence.

The Lockerby Technical Report outlined the mine development plan which, at the time of the report’s publication, was active on the 65-3 Level and advancing to the 66 Level. Ramp development was completed to the 66 Level in October 2012 where an intermediate sill horizon was established, as planned. Development advance below the 66 Level has varied from the original technical report and established a second intermediate sill on the 68 Level, where mining is processing bottom-up toward the 66 Level. The haulage ramp reached the 68 Level in December 2013.

Development from the 68 Level to the 70 level is being optimized incorporating a top-down mining approach versus the original design and plan of bottom-up ore extraction, and aiming to mine some of all of the mineral reserves below the 68 Level and target accessible mineral resources. The top-down approach contemplated for the remaining mine development is expected to reduce economic risk by limiting the amount of capital development required prior to ore production.

Mining will proceed on future sublevels with longitudinal panels. The sublevels will be typically divided into three blocks of three longitudinal panels. Only three access crosscuts will be driven per sublevel. Along with other rationalization of level development, this reduces total waste development by over 3,000 metres over the mine life.

- Mitigate stress concentration in mid-strike by mining and backfilling the center block of the panels before the east and west blocks fully retreat.

- For the two sill pillar horizons, higher stresses will prevail which are further mitigated by ensuring panel sequence avoids any primary/secondary remnant panels altogether.
- Total ramp lateral development over the life-of-mine amounts to 6,837 metres and total vertical development amounts to 785 metres as of 01 April 2012.

The following elements remain unchanged from current practices:

- Maintain currently planned 33 metre sublevel interval.
- Utilize current production drilling equipment (based on 76 millimeter (3 inch) diameter production blast hole) and maintain current charging methodology.
- Maintain current equipment fleet for development, mucking, haulage, and ground support. This requires no capital expenditure for equipment different from existing.

Once mining of the Contact Zone is completed, the remaining Hangingwall Zone will be mined bottom-up following a longitudinal retreat. Hydraulic backfill (68% by weight solids) will be poured in all mined out stopes using the existing backfill plant and backfill distribution system.

A dedicated ventilation network for the Depth Zone, will be connected to the existing ventilation network of the underground mine. Fresh air will be distributed to the Depth Zone via the ramp and two fresh air raises (FAR), connecting at each production level. Air contaminants (such as diesel and blasting fumes) will be evacuated via two dedicated return air raises (“**RAR**”). The RAR system will be connected to the ramp to ensure the evacuation of air contaminants. The diesel truck and LHD fleet will continue to be used which includes four new 42 tonne diesel trucks and three new 6 cubic yard LHD’s. These units will be sufficient to meet requirements of the mining operations. Depth Zone ore will be trucked up ramp to the upgraded 51 Level loadout. Ore will be hoisted via #3 Shaft, crushed to minus 15 centimeters (6 inch), hoisted to surface via the #1 Shaft, stored in the on-surface ore shed and crushed to approximately 1-inch prior to trucking to the Glencore mill.

The ore is then transported by truck to Glencore Nickel’s Strathcona concentrator for processing as per the current contract. From July 1, 2012 to June 30, 2013, the Lockerby Mine sent uncrushed and un-sampled ore to Glencore, and all size reduction and sampling was done by Glencore at the Strathcona Mill during this period. Following a negotiated amendment to the Ore Sales and Purchase Agreement, effective July 1, 2013 crushing of ore resumed at the Lockerby Mine, with ore crushed to an approximate size of 1-inch and weighed and sampled by FNI prior to shipping to Glencore.

The LKD mineralization contains ore-bearing minerals of nickel, copper, and cobalt with by-product credits for gold, silver, platinum, and palladium. According to the Off-Take Agreement (as defined below), the Lockerby ore will be sold to Glencore Nickel for processing at Glencore’s Strathcona Mill. A contractor will transport the ore by truck to the Strathcona Mill located in Onaping, 60 km northwest of Sudbury. Using conventional flotation methods, ore will be milled to produce nickel and copper concentrates. The nickel concentrates will be further processed at Glencore’s smelter, located in nearby Falconbridge and the copper concentrate will be processed at Glencore’s smelter in Rouyn-Noranda, Quebec.

The existing scope of work has been modified to minimize capital expenditures, minimize required operating development, while increasing the robustness of the production schedule. The current priorities are to complete the lateral development of the 68 Level, which was accessed by the main ramp in December 2013, and to consider economic alternatives to continue development down to the 70 Level, which include key considerations such as the development of fresh-air raises for ventilation and cooling purposes and for second egress. Concurrently, the RAR’s will be extended as each sublevel is assessed. An overriding tactical priority is the lateral mine development required to meet the stoping sequence and targeted production throughput.

As of December 2013, the Lockerby Mine has a remaining life of approximately 2.3 years. Production ramped up following the commencement of commercial production in the middle of 2012, and full production (at an average

rate of 800 tonnes per day) was declared during the first quarter of 2013. While 2013 posed serious challenges due to a rapid decline in nickel prices, the Lockerby Mine met its production targets in 2013, and is projected to be cash-flow positive during 2014, based on updated consensus metal price assumptions as at December 2013. Capital expenditures incurred during the remaining mine life will include development capital to complete the lateral development of the 68 Level and for ongoing development, as economically substantiated, in addition to limited sustaining capital.

The ore tonnage output from the Depth Zone includes the following targets:

- An average of 400 tonnes per day was reached during the initial months of 2012 which then ramped up to an average of 600 tonnes per day by mid-2012, and the full production rate of 800 tonnes per day was attained in March of 2013.
- Full production rate of 288,000 tonnes per year was achieved from the second quarter of 2013 and through the end of 2013, and is planned to be sustained through 2016 inclusive.
- Output will diminish to average 600 tonnes per day in the final months of mine life in 2017.

A total of 1.42 million tonnes of ore (including dilution) will be extracted over the life-of-mine. This is comprised of 1.28 million tonnes from production stoping and 0.13 million tonnes from the stope preparation development-in-ore. Development waste will total 0.34 million tonnes. As at December 31, 2013, the remaining life-of-mine ore production is expected to yield 41.3 million pounds of contained nickel, 25.2 million pounds of contained copper, and 1.54 million pounds of contained cobalt.

Markets and Contracts

All ore must be sold to Glencore Canada per long term contract described above; therefore FNI has no metal marketing responsibilities. FNI entered into the Glencore Off-Take Agreement May 31, 2005, as amended on September 15, 2008, December 13, 2010, and September 25, 2013. As part of the terms of the agreement, all ores produced through the existing Lockerby Mine assets must be offered to Glencore Canada for purchase under the confidential terms of the agreement. Prior to the amendment on September 25, 2013, which had effect from July 1, 2013, metal recoveries were the subject of actual mill performance experienced by the Lockerby ore in Glencore Canada's Strathcona Mill and subsequent smelter and refining recoveries in Glencore Canada facilities. The 2013 amendment to the Glencore Off-Take Agreement adopted a contained gross-metal-value ("GMV") approach that finalizes the metal content of the ore as it leaves the Lockerby Mine, based on assays from a mutually-agreed third-party laboratory.

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 2012, the Company employed a total of 160 employees comprised of 17 clerical and technical employees, 31 support staff and 112 production and maintenance personnel.

In 2013, the Company employed a total of 180 employees comprised of 18 clerical and technical employees, 33 support staff and 129 production and maintenance personnel.

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. A new five year collective agreement was ratified by the membership of the United Steelworkers, Local 2020, Unit 64 effective May 3, 2013 and a new four year collective agreement was ratified by the membership of the Mine Mill Local 598/CAW effective July 10, 2013.

2013 Production

In 2013, the Company produced approximately 242,000 tonnes of ore resulting in approximately 12.8 million pounds of contained nickel and approximately 7.5 pounds of contained copper. Following the 2013 amendment of the Glencore Off-Take Agreement and adoption of a GMV approach to nickel production, the Company adapted its reporting to reflect contained metal, before metallurgical recoveries. The maximum production from the Lockerby Depth Zone that was defined in the Lockerby Technical Report, of 10 million pounds of nickel and 7 million pounds of copper annually, can be restated in contained-metal terms as approximately 15 million contained nickel pounds and 8.5 million contained copper pounds.

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.

During 2013, there were no lost time injuries compared to two lost time injuries in 2012. 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 no reportable environmental incidents in 2013. All regulated environmental requirements were completed and submitted.

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 a Bond in the amount of \$5,860,000 as security for the Company's obligations under the plan.

The Lockerby Mine first began production in 1974, and numerous environmental studies have been conducted for the mine. A Closure Plan for the site was filed with the Ontario Ministry of Northern Development and Mines (MNDM) that documents and summarizes environmental studies for the site (Senes 2001). The most recent environmental study for the site is a Third Cycle Surveillance Monitoring Environmental Effects Monitoring Study (Environmental Applications Group Inc. 2012) which was conducted as per the requirements of the federal Metal Mining Effluent Regulations (MMER) of the Fisheries Act. Based on a review of these studies, Stantec concluded that there are no known environmental issues that could materially impact FNI's ability to extract mineral resources or mineral reserves from the Lockerby Mine.

All required operating and environmental permits and approvals are currently in place for the Lockerby Mine. The Closure Plan for the Lockerby Mine, including a closure cost estimate, has been accepted as filed by MNDM. As reported by FNI, the mine complies with the conditions and terms of its permits.

Waste rock brought to surface from early mine development was used to build the site yard, and to a minor extent to construct the access road. It is estimated that approximately 800,000 tonnes of waste rock remain at the mine site. The current closure plan for the site is to remove this waste rock from the site, with long term management under a water cover at another location. Several waste rock studies have recently been completed for FNI to determine what

portion of the waste rock at the site, and to be produced in the future, is potentially acid generating. FNI is currently investigating options for the management of potentially acid generating waste at closure. An option being investigated is to segregate and cover this rock under an engineered cover at the Lockerby site.

Ore mined at Lockerby is processed off-site at Glencore Nickel's Strathcona Mill, and therefore the Lockerby site does not have a tailings management area. Relatively small quantities of tailings are stored at the site for use in backfill. Drainage from this area reports to the Lockerby effluent treatment system.

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. A 70% interest in the West Graham property was subsequently transferred to the Company. Landore opted not to participate in the property to the extent of its 30% working interest. As a result, the Company had the option to increase its interest to 85% by completing a bankable feasibility study by October 12, 2012. The Company determined not to increase its interest in the West Graham property.

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 leasehold and freehold interests and interests in 15 unpatented mining claims. 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.

Raglan Hills and Henderson Property

Raglan Hills Property

The Raglan Hills property, comprises approximately 5,000 hectares in 34 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.

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. The Company holds a 100% interest in the Raglan Hills Property, subject to the 1.5% NSR royalty.

Henderson Property

Two unpatented mining claims comprising the Henderson Property are jointly held 50:50 by the Company and Melkior Resources Inc. (“**Melkior**”). The property is located approximately 32 kilometres east-northeast of Bancroft, Ontario and is accessed via unpaved roads connecting to Highway 28. 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 Township in the Southern Ontario Mining Division of Ontario comprising the Henderson property. On July 21, 2010, the Company provided notice to Melkior that it had earned its 50% interest. Melkior has elected to participate in the Henderson Property on a 50% / 50% joint venture going forward.

Belmont Property

The Belmont property comprises greater than 8,000 hectares of mining rights in several claim blocks representing 73 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 645,198,489 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, 2013:

Month	Low (\$)	High (\$)	Close (\$)	Volume
January, 2013	0.055	0.065	0.055	4,227,237
February, 2013	0.045	0.060	0.045	11,089,737
March, 2013	0.035	0.050	0.040	4,347,984
April, 2013	0.025	0.040	0.030	13,933,377
May, 2013	0.030	0.040	0.030	2,360,654
June, 2013	0.025	0.035	0.030	3,179,125
July, 2013	0.025	0.030	0.030	2,038,173
August, 2013	0.020	0.030	0.025	2,593,421
September, 2013	0.020	0.030	0.020	1,985,841
October, 2013	0.015	0.025	0.020	6,662,388
November, 2013	0.015	0.020	0.015	2,349,619
December, 2013	0.010	0.020	0.020	3,781,363

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
C. David A. Comba ⁽¹⁾⁽³⁾⁽⁴⁾ Chairman and 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
Thomas M. Boehlert President, Chief Executive Officer and Director Ontario, Canada	Prior to joining First Nickel, was 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

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
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
João Carrêlo ⁽²⁾⁽³⁾⁽⁴⁾ Director Bolivia	Senior mining executive and professional engineer, with over 29 years international operational, project and management experience within the mining, metals, refining and fertilizer industries in Latin America, Europe, Africa and India. Currently President - CEO and Director of Eco Oro Minerals Corp. Prior to joining Eco Oro, Executive Vice-President & Chief Operating Officer of Lundin Mining Corporation and currently a Director on the board for SOMINCOR (Sociedade Mineira de Neves-Corvo S.A.) (Portugal).	February 2013
Robert F. Whittall ⁽¹⁾⁽²⁾ Director Ontario, Canada	Chartered Accountant, Corporate Director. From July 2010 to June 2011, Chief Financial Officer of Excellon Resources Inc. Prior to June 2009 Vice President, Financial Officer and Director of Volta Resources Inc.	October 2006
Lyle R. Hepburn ⁽¹⁾⁽²⁾ Director Ontario, Canada	A Director of First Nickel since October 2006. Lyle has been practicing business and commercial law for 40 years, and is currently practicing at MARKES LAWYERS in Toronto. His practice is focused primarily on advising and representing public mineral exploration and mining companies. Lyle serves as Corporate Secretary of Dominion Diamond Corporation, a diamond producing company listed on the Toronto and New York Stock Exchanges.	October 2006
Russell Cranswick ⁽³⁾⁽⁴⁾ Director Colorado, USA	Mr. Cranswick is a professional geologist who is a partner of RCF. Prior to his 13 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.	July 2009
Alfred Colas Vice President and Chief Financial Officer Ontario, Canada	Prior to joining the Company was Corporate Controller of Rainy River Resources Ltd. from November 2010 to September 2013. Previously, spent 13 years with Barrick Gold Corporation, most recently as Finance Manager at the Veladero Mine in Argentina from June 2007 to October 2010 and, earlier, in various finance roles at Barrick's corporate office, having begun his career as an auditor with PricewaterhouseCoopers LLP.	October 2013
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 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
Mark Isto Vice President Operations Ontario, Canada	Mr. Isto has 30 years of operations and project development experience in the mining industry. Most recently, he was Senior Vice President Infrastructure Projects with Kinross Gold Corp. having held various project development roles with responsibilities in Brazil, Russia, Chile, Mauritania and the United States. Prior to Kinross, he spent 24 years with Placer Dome Inc. where he held numerous operations and project development roles in Canada, United States, Mexico and Papua New Guinea. He received his B.S in Mining Engineering from Montana School of Mineral Science and Technology and an MBA from the University of Nevada Reno.	May 2012

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 João Carrêlo, Lyle R. Hepburn (Chairman), and Robert F. Whittall.
- (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, Russell Cranswick (Chairman) and João Carrêlo.
- (4) Member of the Technical Advisory Committee of the Board of Directors. The members of the Technical Advisory Committee are William J. Anderson, João Carrêlo, 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, 8,767,096 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 1.4% 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.

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 reserves 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.

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 sustained price depression or 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.

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. Since 2006, the first full year of operating Lockerby Mine, the Company has posted a net loss for each operating year, other than in 2011 when the Company had net earnings due to a gain on settlement of certain derivatives contracts. In 2013, the Company posted a net loss and comprehensive loss of \$55,618,622. 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.

Liquidity Risk

As at December 31, 2013, the Company had a working capital balance of \$3,473,170 and had US\$5 million available under existing loan facilities. The Company commenced commercial production at the Lockerby Mine on July 1, 2012 and achieved its targeted full production rate during the first quarter of 2013. While the Corporation's operations generated revenues and positive cash flows from operations in 2012 and revenues in 2013, it has not yet achieved consistently profitable operations, having incurred a net loss of \$36,329,138 in the year ended December 31, 2012 and a net loss of \$55,618,622 with negative operating cash flow of \$4,562,251 in the year ended December 31, 2013.

During 2013, the Company raised US\$18.0 million in loan financing and signed amendments restructuring the terms and conditions of its credit facilities and extended the maturity dates of its loans to provide sufficient financial resources to maintain its core activities and development plans for the foreseeable future. The Company's long-term debt will mature in March 2015, and future profitability and the availability of additional financing sources cannot be assured at this time and, accordingly, these uncertainties may cast significant doubt about the Company's ability to continue as a going concern. There can be no assurance that the Company will be able to obtain sufficient financing on terms satisfactory to the Company. There can be no assurance that the Company's working capital position will not decrease in the future or that the Company will be able to maintain sufficient liquidity. A failure to locate sufficient financing to support the Company's ongoing liquidity needs could have a material adverse effect on the Company.

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 Glencore Off-take Agreement, Glencore Nickel has agreed to purchase all ore produced using any infrastructure or assets comprising the Lockerby Mine, for processing at Glencore 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 Glencore 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, 34,219,250 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 106,155,986 warrants outstanding. As of the date of this AIF, there were 645,198,489 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 22% 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 possible sale 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 would 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 March 31, 2015 into common shares of the Company. The Convertible 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 Convertible Loan in cash or in common shares. If all future interest on the Convertible Loan is paid in shares, the Company could, at present share prices, issue an additional 24,666,667 common shares based on the Company's current trading level of \$0.045 per share and an exchange rate from Canadian to US dollars of 1.11.

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 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 material 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) Glencore 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) Office Clerical and Technical Employees Collective Agreement dated May 3, 2013 between the Company and United Steelworkers of America Local 2020, Unit 6855.
- (e) Lateral and Vertical Development Agreement for Lockerby Mine between First Nickel Inc. and J.S. Redpath Limited.
- (f) Collective Bargaining Agreement dated July 10, 2013 among First Nickel Inc. and Sudbury Mine, Mill & Smelter Workers Union, Local 598 (CAW).
- (g) Loan Agreement with West Face dated as of March 6, 2013 between First Nickel Inc. and West Face.
- (h) Amended and Restated Loan Agreement dated as of April 1, 2013 between First Nickel Inc. and RCF V.
- (i) Second Amended and Restated Convertible Loan Agreement dated April 1, 2013 between the Company, as borrower, and RCF IV, as lender, for a US\$10,000,000 convertible working capital facility maturing on March 31, 2015.
- (j) Amended and Restated Credit Agreement, dated as of April 1, 2013 among First Nickel Inc., The Bank of Nova Scotia, as administrative agent and a lender, the other persons party thereto from time to time as obligors, and the other lenders party thereto from time to time.
- (k) Amended and Restated Credit Agreement, dated as of November 29, 2013 among First Nickel Inc., The Bank of Nova Scotia, as administrative agent and a lender, the other persons party thereto from time to time as obligors, and the other lenders party thereto from time to time.

INTERESTS OF EXPERTS

Names of Experts

The current auditor of the Company is KPMG LLP. KPMG has reported that it is independent within the meaning and relevant rules and related interpretations prescribed by the relevant professional accounting bodies in Canada and any applicable legislation or regulation.

George Darling, P.Eng., of Stantec, Jim Fuchs, P.Eng., of Stantec and Chester Moore, P.Eng of RPA, prepared the Lockerby Technical Report.

Interests of Experts

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.

KPMG LLP has reported that it is independent of the Company in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

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 Professional Accountant and 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 Gitenes 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, 2013, KPMG LLP has billed the Company a total of \$204,198 (2012 - \$165,000).

Tax Fees

For the years ended December 31, 2013 and 2012, KPMG LLP did not bill the Company for professional services rendered for tax compliance, tax advice or tax planning.

All Other Fees

For the years ended December 31, 2013 and December 31, 2012, KPMG, did not bill the Company in respect of products or services other than those reported under “Audit and Review Fees” and “Tax Fees”, above.

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 Wednesday, June 12, 2013.

Additional financial information is provided in the Company’s audited financial statements and management discussion and analysis for the year ended December 31, 2013.

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 fractures 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 fractional 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

Adopted: December 11, 2012

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;
- 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:

- (a) and recommend to the Board for approval the Company's financial statements, including the annual audited consolidated financial statements and interim financial statements.
- (b) with 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) as appropriate all documents referencing, containing or incorporating by reference the annual audited consolidated financial statements or interim financial results (e.g., prospectuses, press releases with financial results and Annual Information Form when applicable) and press releases containing material financial information prior to their release.
- (d) the 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. Make recommendations to the Board on appropriate actions to be taken which the Committee deems necessary to protect and enhance the independence of the external auditor, including actively engaging in discussions with the external auditor about all relationships that may impact the independence of 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 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. Require that the external 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 external auditors are ultimately responsible.
- (f) Require 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 Canadian Public Accountability Board determines to be impermissible.
- (g) Review with management and the external auditor of the Company's major accounting policies, including quality, appropriateness and acceptability of the Company's accounting principles and practices used in its financial reporting, 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 Chairman of the Board and President of the Company annually.
- (j) Obtaining reports from management 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, taking into account auditor independence standards promulgated by applicable auditing regulatory and professional bodies.
- (l) Setting clear hiring policies for partners, employees or former partners and former employees of the external auditors and approving, if desirable, policies and procedures for the pre-approval of services to be rendered by the external auditor including any de minimus exceptions, which policies and procedures shall include reasonable detail with respect to the services covered. All non-audit services to be provided to the Company or any of its affiliates by the external auditor or any of their affiliates which are not covered by pre-approval policies and procedures approved by the Committee shall be subject to pre-approval by the Committee. The Committee will review disclosure respecting fees paid to the external auditor for audit and non-audit services.

- (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.
4. 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 press 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 Chairman 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.