CaNickel Mining Limited
formerly Crowflight Minerals Inc.
www.canickel.com

ANNUAL INFORMATION FORM

For the year ended December 31, 2011

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March 30, 2012

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This annual information form contains forward-looking statements under Canadian securities legislation. Forward-looking statements include, but are not limited to, statements with respect to the Company's production, development potential and timetable of the Company's properties, including the Bucko Lake Nickel Mine; the future price of nickel and other minerals; the estimation of mineral reserves and mineral resources; conclusions of economic evaluations; the realization of mineral reserve estimates; the timing and amount of estimated future production; future cash flow; future financing; costs of production; capital expenditures; success of exploration activities; mining or processing issues; currency exchange rates; government regulation of mining operations; and environmental risks. Generally, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made. Estimates regarding the anticipated timing, amount and cost of mining at the Bucko Lake Nickel Mine are based on assumptions underlying mineral reserve and mineral resource estimates and the probability of realizing such estimates that are set out herein. Capital and operating cost estimates are based on extensive research of the Company, purchase orders placed by the Company to date, recent estimates of development and mining costs and other factors that are set out herein. Production estimates are based on mine plans and production schedules, which have been developed by the Company's personnel and independent consultants. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements, including but not limited to risks related to: unexpected events and delays during construction, expansion and operation; variations in mineral grade and recovery rates; receipt and revocation of government approvals; timing and availability of external financing on acceptable terms; actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of minerals, particularly nickel; failure of plant, equipment or processes to operate as anticipated; reliance on joint venture partners and contractor service providers; accidents, labour disputes and other risks of the mining industry. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking statements, except in accordance with applicable securities laws.

DEFINITIONS AND GLOSSARY OF TERMS

In this annual information form, references to “CaNickel” or the “Company” mean CaNickel Mining Limited and the following abbreviations and defined terms are used:

“AIF”	means this annual information form.
“Audit Committee”	means the audit committee of the Board.
“Board”	means the Board of Directors of CaNickel.
“Common Shares”	means the common shares in the capital of the Company.
“Compensation Committee”	means the compensation committee of the Board.
“Corporate Governance and Nominating Committee”	means the corporate governance and operating committee of the Board.
“NI 43-101”	means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators
“BCCA”	*Business Corporations Act* (British Columbia)
"OBCA"	*Business Corporation Act* (Ontario)

CURRENCY PRESENTATION AND NOTES ON INFORMATION

This AIF contains references to United States dollars and Canadian dollars. All dollar amounts referenced herein, unless otherwise indicated, are expressed in Canadian dollars and United States dollars are referred to as “United States dollars”, or “US$”.

All information in this AIF is given as of December 31, 2011, unless otherwise indicated.

CORPORATE STRUCTURE

CaNickel was incorporated under the name Nootka-Zeballos Gold Mines Limited, under the laws of British Columbia on January 11, 1937, by registration of its Memorandum and Articles with the British Columbia Registrar of Companies. On December 13, 1937, Nootka-Zeballos Gold Mines Limited changed its name to Privateer Mine Limited. On January 29, 1959, Privateer Mine Limited changed its name to New Privateer Mine Limited. On June 6, 1995, New Privateer Mine Limited changed its name to Phrygian Mining Corporation, consolidated its common shares on a five-to-one basis and altered its post consolidation authorized share capital to consist of 100,000,000 common shares without par value. On August 12, 1998, Phrygian Mining Corporation changed its name to Crowflight Minerals Inc., consolidated its common shares on a three-to-two basis and altered its post consolidation authorized share capital to consist of 100,000,000 common shares without par value, 100,000,000 Class “A” Preference Shares with a par value of $10.00 each and 100,000,000 Class “B” Preference Shares with a par value of $50.00 each. On August 12, 1998, the Common Shares were listed on the Toronto Venture Exchange. On July 30, 2003, Crowflight Minerals Inc. filed Articles of Continuance pursuant to the OBCA to continue the Company from British Columbia to Ontario. Also on July 30, 2003, Crowflight amended its Articles to increase its authorized share capital to an unlimited number of common shares without par value, an unlimited number of Class “A” Preference Shares and an unlimited number of Class “B” Preference Shares. On June 21, 2004, Crowflight Minerals Inc. was registered as an extra-provincial corporation in the Province of Manitoba.

In December 2010, the Company changed its head office and registered office at 181 Bay Street, Suite 2500, Toronto, Ontario, M5J 2T7 and relocated its corporate office to 999 West Hastings Street, Suite 1655, Vancouver, British Columbia, V6C 2W2.

In June 2011, the Company, pursuant to the BCCA to continue the Company from the province of Ontario to the province of British Columbia and changed its name to CaNickel Mining Limited. The current registered office of the Company is located at 1500 Royal Centre, 1055 West Georgia Street, Vancouver, British Columbia.

GENERAL DEVELOPMENT OF THE BUSINESS

CaNickel is a Canadian mining company focused on nickel mining and related activities, including exploration and the extraction and processing of nickel-containing ore. CaNickel currently has one operational nickel mine, Bucko Lake Mine near Wabowden, Manitoba, and holds nickel, copper and platinum group mineral projects in the Thompson Nickel Belts, Manitoba. Commercial production at Bucko Lake Mine was declared in June 2009, but was suspended in October 2009. In April 2011, the Company resumed the mining operation at Bucko Lake Mine after its operation suspended in October 2010.

2012 Outlook

The first phase tailing facility construction has been completed in March 2012, and the Company expects the commission of the paste backfill plant will be in the second quarter of 2012.

In order to increase productivity and reduce production costs, the Company started to implement long hole stoping mining method at its Bucko Lake Mine in January 2012. The preliminary results indicated that the improved ore quality from the long hole stopes also helped the processing plant achieve better recovery rate. The Company will continue to carry out more studies to optimize the mining method at its Bucko Lake Mine to further increase production efficiency. With the continued effort on the mining production efficiency and improvements of its mill production performance, the Company expects to mine and mill approximately 320,000 tonnes of ores and aims to turn around to achieve positive cash flow from operations at Bucko Lake Mine in 2012.

Three-Year History

The following is a summary of the general development of the Company's business over the three most recently completed financial years.

Financial Year Ended December 31, 2011

On December 29, 2011, due to the unfavourable nickel price and in order to reserve capital to complete the paste backfill plant construction and tailings facility expansion, the Company decided to scale down the operation at Bucko Lake Mine, but the decision was reversed as a result of the successful trial of long hole stoping mining method in January 2012.

In December 2011, the Company entered into an agreement with Luckyup Investment Limited ("Luckyup"), a third party based in Hong Kong, to increase its one year term debt facility from US$15 million to US$25 million. This debt facility bears an interest rate of 12% per annum.

In September 2011, the Company was granted by the Manitoba government a revised Environment Act License (the "Licence") to construct and operate a land based tailing management area (the "TMA") at its Bucko Lake Mine, Wabowden, Manitoba. The TMA is an expansion of the existing Interim Tailing Storage Facility (the "ITSF") and has a footprint of approximately 68.5 hectares to store all tailing from Bucko Lake Mine for the remainder of its existing mine life. Environmental studies indicated that the TMA would have a net benefit in relation to environmental impact, eliminating the need for sub-aqueous deposition of the tailing into Bucko Lake Mine.

In September 2011, the Company entered into an equity financing agreement with Harstock Master Fund, Ltd. ("Haverstock"), a fund managed by Haverstock Manager, LLC., to secure access to funds on an as-needed basis for up to $20 million through a Committed Equity Facility ("CEF'). The CEF enables the Company, over a period of 36 months, to receive the greater of $500,000 and the average daily trading dollar volume for the five days preceding a draw down notice issued by the Company under the CEF for each drawdown, subject to the amount remaining on the CEF. The timing of any drawdown is at

CaNickel's sole discretion and the Company is able to set a minimum price (the "Floor Price") of each drawdown. Pursuant to the terms of the CEF, CaNickel will issue Commons Shares to Haverstock at a price equal to, as applicable: (i) 93% of the Market Price (defined herein), if the Market Price is $0.15 and above, or (ii) 90% of Market Price if the Market Price is below $0.15 and, (iii) 95% of the Market Price if the Market Price is above $0.75. The "Market Price" is the higher of (i) the volume weighted average trading price of the Common Shares for each trading day during the five consecutive trading days subsequent to the date of the drawdown notice under the CEF and (ii) the Floor Price. The distribution of any Common Shares under the CEF must be qualified by a prospectus. Prior to the exercise of any draw down under the CEF, CaNickel would file a final base short form prospectus and a prospectus supplement describing the CEF and the Requested Relief. In the case of each drawdown, a separate pricing supplement will be filed describing the terms of the particular drawdown. The facility cannot be drawn down until CaNickel and Haverstock have received such exemptive relief and CaNickel has filed and had a receipt issued for its final shelf prospectus and has filed the related prospectus supplement in connection with the facility and the pricing supplement for each drawdown. Any issuances of Common Shares under the CEF will also be subject to the approval of the Toronto Stock Exchange. Haverstock may resell any Common Shares at its discretion, through registered dealers trading through the Toronto Stock Exchange. CaNickel is under no obligation to draw from the CEF and remains at all times free to enter into other financing transactions with the exception of similar transactions. In consideration for entering into the CEF, CaNickel has agreed to pay Haverstock an implementation fee of $200,000 and issue two promissory notes to Haverstock in the amount of $100,000 each. Subsequent to December 31, 2011, the Company filed a preliminary shelf base short form prospectus to all related regulatory agencies and is in the process to clear all comments from those regulatory agencies. The filing of a final short form prospectus is uncertain at this time.

In July 2011, the Company entered into one year term debt facility of up to US$15 million with Luckyup with intention to use the funds to meet capital investment needs to complete the construction of paste backfill plant and the expansion of tailing facilities. The debt facility bears an interest rate of 12% per annum.

In May 2011, the Company entered into one year term debt facility of up to US$5 million with Hebei Wenfeng Industrial Group Limited ("Hebei Wenfeng"). The debt facility bears an interest rate of 10% per annum and the Company is required to pay 2% of any funds drawn down under the debt facility as structuring fee to Hebei Wenfeng. Hebei Wenfeng, an insider of the Company, who, together with its affiliated entity, King Place Enterprises Limited ("King Place"), owns approximately 37.6% of the issued and outstanding shares of the Company. The debt involves no equity or voting component and therefore is exempt from related party transaction requirements of Multilateral Instrument 61-101.

In April 2011, the Company resumed the mining operation at its 100% owned Bucko Lake Mine.

In April 2011, the Company received majority disinterested shareholders' written consent and issued 258,819,703 common shares of the Company to King Place to retire all outstanding convertible debentures and accrued interest of $11,310,421 the Company owed to King Place. Pursuant to the terms of the Convertible Debentures Notes, the conversion price was $0.0437 per share, which was the price equal to the volume weighted average price of the Company shares on the five trading days (from March 15 to March 21, 2011) less the permitted discount of 25%.

In March 2011, the Company completed a private placement financing and received a gross proceeds of $30 million. The Company signed subscriptions for 600 million Units at a subscription price of $0.05. Each Unit consists of one common share and one-half share purchase warrant ("Warrant") and each Warrant entitled the holder to acquire one additional common share for a period of two years at a price of $0.10. No investor in this financing would hold more than 10% of the Company's 1.24 billion shares then outstanding on the closing of this financing. A finder's fee of 10% of the gross proceeds placed was paid to an arm's length party, and the net proceeds was expected to be used to bring all accounts payable current, retire portion of convertible debentures, and to acquire necessary mining equipment to resume the mine operation at Bucko Lake Mine and for its general working capital.

Financial Year Ended December 31, 2010

In December 2010, upon completion of the private placement in the form of a convertible debenture issued to King Place Enterprises Limited ("King Place") in the principle amount of the $10 million, the Company restructured its Board of Directors and management team.

On October 1, 2010, CaNickel announced that it was temporarily suspending ore production mining operations at the Bucko Lake Nickel Mine in order to facilitate the introduction of its own underground mining equipment and team and to make adjustments to address certain operational issues.

On September 23, 2010, CaNickel announced a private placement financing in the form of a convertible debenture issued to King Place in the principal amount of $3 million (the "Convertible Debenture"). The Convertible Debenture shall mature on the date that is six months from the date of issue. Amounts owing under the Convertible Debenture shall be unsecured and interest shall accrue at a rate of 10% per annum, compounded annually. The Convertible Debenture holder shall be entitled to convert amounts owing into common shares of CaNickel at a price equal to the five-day Volume Weighted Adjusted Price (VWAP) on the Toronto Stock Exchange (the "TSX") at the time of conversion less the maximum discount allowed under TSX regulations, subject to the Company not issuing an aggregate of more than 58,356,471 common shares of CaNickel in total pursuant to the Convertible Debenture and the convertible debenture of the Company issued to King Place on September 3, 2010, without prior approval from a simple majority of disinterested shareholders. In addition, King Place holds a pre-emptive right to maintain its 42.5% interest (see press release of September 3, 2010).

On August 26, 2010, CaNickel issued and sold a convertible debenture (the "Convertible Debenture") to King Place in the principal amount of $10,050,000 (see press release of August 27, 2010). The Convertible Debenture shall mature on February 27, 2011. Amounts owing under the Convertible Debenture shall be unsecured and interest shall accrue at a rate of 10% per annum, compounded annually. The holder shall be entitled to convert amounts owing under the Convertible Debenture into common shares of CaNickel at a price equal to the five-day Volume Weighted Adjusted Price (VWAP) at the time of conversion less the maximum discount allowed under Toronto Stock Exchange regulations at the time of conversion. However, King Place may not convert any portion of the amounts outstanding hereunder in excess of the amount that would result in the obligation to issue an aggregate number of shares exceeding 58,356,471 Common Shares without prior approval of disinterested shareholders. King Place, who purchased the Convertible Debenture, is the largest shareholder of CaNickel. King Place owns and controls a total of 247,029,971 common shares and 50,588,235 warrants of CaNickel prior to this private placement, or 42.5% of the issued and outstanding common shares of CaNickel on a non-diluted basis. CaNickel previously issued and sold a non-convertible debenture in the principal amount of $5,050,000 to King Place (see press release of August 9, 2010), which was cancelled and replaced by the $10,050,000 Convertible Debenture.

On April 6, 2010, the Company received an offer from Jinchuan Group Ltd. ("Jinchuan") to acquire all of the common shares of CaNickel in consideration for an aggregate cash payment of $150,000,000. Based on the number of CaNickel common shares outstanding at the time of the announcement, this Offer equates to approximately $0.26 per common share. The Offer represents a premium of 47.3% to the closing price on the Toronto Stock Exchange for the Company's common shares on April 2, 2010 and a premium of 56.8% to the 20 day volume weighted average trading price. On a partially diluted basis, taking into account the outstanding convertible securities of the Company that have an exercise price of equal to or less than $0.22, the Offer equates to approximately $0.22 per share. On this basis, the Offer represents a premium of 27.0% to the closing price on the Toronto Stock Exchange for the Company's common shares on April 2, 2010 and a premium of 35.1% to the 20 day volume weighted average price. Please see press release dated April 6, 2010. The Offer was premised on Jinchuan obtaining 100% of the offtake from the Bucko Lake Mine and any of the CaNickel exploration properties that are subsequently placed into production and remained valid August 31, 2010. Subsequent to the receipt of the offer, negotiations continued between representatives of the Company and Jinchuan, but were terminated in

September 2010.

On March 22, 2010, the Company announced that it had re-commenced shipments of nickel concentrate from the Bucko Lake Nickel Mine. This marked the first shipment of nickel concentrate since operations at the Bucko Mine had been suspended in November 2009.

On February 19, 2010, the Company completed a private placement financing for gross proceeds of approximately $11,552,000. CaNickel issued an aggregate of 72,200,000 common shares of the Company at a price of $0.16 per share. The Company stated that the purposes of the net proceeds of the financing was to fund the continued ramp up of the Bucko Lake Mine in the Thompson Nickel Belt, Manitoba and for general corporate and working capital purposes.

In January 2010, the Company received a non-binding expression of interest (the "Expression of Interest") from Pala Investments Holdings Limited ("Pala") regarding the direct or indirect acquisition of the Bucko Lake Nickel Mine and certain surrounding exploration areas held by CaNickel in the Thompson Nickel Belt, including the M11A and Apex deposits (collectively, the "Bucko Assets"). In consideration for the purchase of the Bucko Assets, Pala proposed that it would pay to CaNickel the sum of $101.9 million. If the acquisition were completed, the Company would cancel the 116,079,971 common shares and 50,588,235 share purchase warrants of CaNickel held by Pala at the time in consideration for $29.88 million, providing an aggregate net payment from Pala to the Company of $72.0 million. In addition to receiving the cash consideration, CaNickel would retain certain exploration mineral properties of the Company, including the Bowden Lake, Halfway Lake and Manibridge deposits located in Manitoba as well properties within the Sudbury district namely, the AER Kidd property and the Peter's Roost property (collectively, the "Exploration Assets"). The expression of interest was non-binding and subject to a number of conditions, including the negotiation and execution of a definitive agreement, receipt of requisite board, shareholder and regulatory approvals and Pala being satisfied with its due diligence review of the Bucko Assets. Due to offer from Jinchuan, in April 2010, Pala terminated the discussion relate to the non-binding expression of interest.

Financial Year Ended December 31, 2009

In November 2009, CaNickel suspended all production mining and milling operations at the Bucko Lake Mine to complete ramp development, accelerate mine development and upgrade the backfill plant.

In September and October 2009, CaNickel completed a private placement financing with King Place for aggregate gross proceeds of $20,000,000. Pursuant to the financing, the Company issued 80,000,000 Common Shares at a price of $0.25 per Common Share. The Company stated that the primary intended use of the proceeds was to continue development of the Bucko Lake project and for general working capital purposes.

On August 21, 2009, CaNickel announced the appointment of Mark Trevisiol as President and Chief Executive Officer of the Company.

In July 2009, CaNickel installed and commissioned a new water treatment facility in response to certain water issues encountered at the end of June 2009. Mill operations were halted in July 2009 due to a lack of available ore from the main production stope and subsequently resumed in August 2009. Poor ground conditions in the stope entrance required the development of a new stope access drift so that mining operations could resume safely.

On July 23, 2009, the Company completed a $15,000,000 financing with Pala pursuant to which the Company issued 60,000,000 units at a price of $0.25 per unit. Each unit was comprised of one Common Share and one-half of one share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one Common Share at a price of $0.30 prior to July 23, 2011. CaNickel relied on the financial hardship exemption (section 604(e)) under the guidelines of the Toronto Stock Exchange to complete this financing, which would result in a new holder of more than 20% of the outstanding Common Shares, without first obtaining shareholder approval. Pursuant to the terms of the financing, two directors of the Board resigned and the Company granted Pala the right to nominate two directors to the Board, subject to certain conditions. Pala nominated, and the Board appointed, Michael Barton and Jan Castro as directors. The Company stated that the principal purpose of the proceeds from the financing was to pay outstanding indebtedness and for capital development and general working capital purposes.

In June 2009, CaNickel announced that it had achieved commercial production at the Bucko Lake Mine, with commercial production being defined as throughput greater than 60% of mill nameplate capacity.

In April 2009, CaNickel completed a $7,820,000 financing pursuant to which the Company issued 46,000,000 units at a price of $0.17 per unit. Each unit was comprised of one Common Share and one-half of one share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one Common Share at a price of $0.20 prior to April 30, 2011. The offering was completed by a syndicate of underwriters led by Macquarie Capital Markets Canada Ltd. and including Cormark Securities Inc. and TD Securities Inc. The Company stated that the principal purposes of the net proceeds from the financing were to fund the continued ramp up of the Bucko Lake Mine and for general corporate and working capital purposes.

In March 2009, CaNickel disclosed updated mineral reserve and mineral resource estimates for the Bucko Lake Mine. The estimates were updated to reflect the results of the 2007 and 2008 drill programs. The aggregate estimated proven and probable mineral reserves increased by 22% to 3,708,393 tonnes grading 1.45% nickel. For details regarding these estimates, please see “Description of the Bucko Lake Property” and “Cautionary Note Regarding Forward-looking Information”.

On February 26, 2009, the Company announced that it had monetized its remaining hedge position of 2.97 million pounds of nickel and the corresponding foreign exchange price protection, which allowed the Company to repay its remaining $7.6 million of debt. As a result of these transactions, CaNickel became debt free and added $5.5 million in cash to its treasury, which included $3.0 million from the debt reserve account. CaNickel monetized the 2.97 million pound hedge at an average realized price of US$7.74 per pound of nickel, which included a $1.19 to US$1.00 exchange rate, for net proceeds of $10,134,725, with $7,648,257 of the proceeds to be used to pay off CaNickel’s remaining debt.

In February 2009, CaNickel announced that it had shipped its first nickel concentrate from the Bucko Lake Mine.

NARRATIVE DESCRIPTION OF THE BUSINESS

General

CaNickel owns a 100% interest in the Bucko Lake deposit and operates a mine and mill complex on the Bucko Lake Mine site near Wabowden, Manitoba. The Company maintains an interest in a variety of grass roots and advance-staged exploration properties in the Thompson Nickel Belt, Manitoba and Sudbury district, Ontario.

Suppliers

The Company spends a significant percentage of its financial resources to procure goods and services in support of its business activities. Principal goods and services include labour and contractor personnel, maintenance and repair parts and services, electricity, fuel and lubricants, ground support materials, explosives, tires, chemical reagents and ventilation supplies. The Company uses suppliers or independent contractors for a portion of the equipment rebuilds and repairs both on and off-site, as well as for construction activities.

Competitive Conditions

The base metals mineral exploration and mining business is highly competitive. CaNickel competes with numerous other companies for the discovery and acquisition of mineral rich properties that can be developed and produced economically, the technical expertise to find, develop, and operate such properties, the labour to operate the properties, and the capital for the purchase of such properties. Many of these companies are substantially larger and have greater financial resources than the Company.

Offtake Arrangement

The Company's primary product is nickel concentrate. CaNickel has a concentrate sales agreement with Xstrata Nickel Inc. pursuant to which the Company has agreed to sell, and Xstrata Nickel Inc. has agreed to purchase, 100% of the nickel concentrate produced at the Bucko Lake Mine at commercially competitive terms during the life of the Bucko Lake Mine.

Environmental Protection

The operations of the Company, are subject to extensive federal, provincial and local laws and regulations governing; environmental protection, employee health and safety, exploration, development, tenure, production, taxes, labour standards, wastes disposal, toxic substances and other matters. CaNickel is also subject to various reclamation-related conditions imposed under federal or provincial rules and permits.

The Company believes that the primary environmental management issues, related with the Bucko Mine are associated with the treatment and disposal of mill tailings and related effluent. The mine, mill facility and power supply line have been established on a previously disturbed site. CaNickel has a progressive environmental management plan for the prevention of adverse environmental impacts during the life of the mine, including further exploration, mining and milling operation and closure.

Challenges with the federal permitting process to allow disposal of tailings in Bucko Lake and the unlikelihood that Environment Canada will recommend authorization caused CaNickel to consider alternative solution for tailings disposal. A Notice of Alteration (NOA) to its original *Environmental Act* Licence Proposal in December 2007 to include the provision for an interim (land-based) tailings storage facility (ITSF) was submitted and approved. CaNickel has received its *Environment Act* License from the Province of Manitoba to permit CaNickel to commence production at the Bucko Lake Nickel Mine in Manitoba. In September 2011, the Company was granted by the Manitoba government a revised Environment Act License (the "Licence") to construct and operate a land based tailing management area (the "TMA") at its Bucko Lake Mine, Wabowden, Manitoba. The TMA is an expansion of the existing ITSF and has a footprint of approximately 68.5 hectares to store all tailing from Bucko Lake Mine for the remainder of its existing mine life. Environmental studies indicated that the TMA would have a net benefit in relation to environmental impact, eliminating the need for sub-aqueous deposition of the tailing into Bucko Lake Mine. The construction of the TMA will be carried in two phases and the phase I construction was completed in March 2012.

Employees, Health and Safety

As at December 31, 2011, the Company employed a total of 134 employees from across Canada.

There was no lost time incidents reported and the total of man hours worked as 215,177 hours in 2011. However, a total of 47 incidents were reported in 2011, of which 18 injuries required medical aid.

Risks of the Business

Investing in the Company involves risks that should be carefully considered. The operations of the Company are speculative due to the high-risk nature of its business. Investors should be aware that there are various risks, including those discussed below, that could have a material adverse effect on, among other things, the operation of the Bucko Lake Mine, and the operating results, earnings, business and condition (financial or otherwise) of the Company. See "Cautionary Statement Regarding Forward-Looking Information".

Nature of Mining, Mineral Exploration and Development Projects

Mining operations generally involve a high degree of risk. The Company's operations are subject to the hazards and risks normally encountered in the exploration, development and production of nickel, including environmental hazards, explosions, unusual or unexpected geological formations or pressures and periodic interruptions in both production and transportation due to inclement or hazardous weather conditions. 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.

Development projects have no operating history upon which to base estimates of future capital and operating costs. For development projects, resource and operating costs estimates are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies, which derive estimates of capital and operating costs based upon anticipated tonnage and grades of ore to be mined and processed, ground conditions, the configuration of the ore body, expected recovery rates of minerals from the ore, estimated operating costs, and other factors. As a result, actual production, cash operating costs and economic returns could differ significantly from those estimated. It is not unusual for new mining operations to experience problems during the start-up phase, and delays in the commencement of production often can occur.

Although Bucko Lake Mine was declared commercial production in June 2009, the Company temporarily suspended production operations in November 2009 to focus on ramp development, mine development and installation of the backfill plant. Milling operations subsequently resumed in March 2010, but was suspended again in October 2010 in order to facilitate the introduction of its own underground mining equipment and team and to make adjustments to address certain operation issues. Operation at Bucko Lake Mine re-commenced in April 2011, but the operations were affected by a number of issues, such as late delivery of mining equipment, issues left over from previous operation, and unfavourable nickel price. On December 29, 2011, the Company decided to scale down the operations at Bucko Lake Mine in order to reserve capital to complete the construction of paste backfill plant and the expansion of tailing facility. Although the decision of reduced operation was reversed in January 2012 as a results of the successful trial of long hole stoping mining method and the improvement of mill performance, there is no guarantee that the Company will be able to maintain mining and milling operations on the projected rates, or at all. There is no assurance that the mine can be operated profitability, particularly in light of its past operational history.

Mineral exploration is highly speculative in nature. There is no assurance that exploration efforts will be successful. Even when mineralization is discovered, it may take several years until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable mineral reserves through drilling. Due to these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of mineral resources or mineral reserves. There is no certainty that the expenditures made towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore.

Going Concerns and Future Financings

The Company has incurred significant losses and negative cash flow from operations in recent years. In April 2011, mining operations at the Company's Bucko Lake Mine was resumed, but the restart and ramping up process were affected by issues left over from prior years' operations, late delivery of mining equipment, and unfavourable nickel prices. Loss incurred for the year ended December 31, 2011 amounted to $98.0 million and the cumulative deficit was $193.3 million as at December 31, 2011.

Whether and when the Company can attain profitability and positive cash flow is uncertain and depends on the Company reaching its planned production level, controlling the cost of production which is subject to great variation due to a number of factors, such as ore grade, metallurgy, and cost of supplies and services etc., and the market price of nickel, which fluctuates widely and is affected by numerous factors beyond the Company's control. These uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

As at December 31, 2011, the Company has approximately $1.4 million cash and cash equivalent on hand but a negative working capital of approximately $26.3 million. The Company will need to raise additional capital in order to fund its operations and capital expenditures.

To address its financing requirements, the Company entered into an amended agreement with Luckyup to increase its debt facility from US$15 million to US$25 million. Subsequent to the year ended December 31, 2011, the Company entered into amended agreements with Hebei Wenfeng and Luckyup, respectively, to extend their loan facilities from one year term to three year terms. The maturity dates of the loan from Heibei Wenfeng and Luckyup have been extended to May 28, 2014 and July 22, 2014, respectively.

In September 2011, the Company entered into an equity financing agreement with Haverstock Master Fund, Ltd. ("Haverstock"), a fund managed by Haverstock Manager, LLC., to secure access to funds on an as-needed basis for up to $20 million through a Committed Equity Facility ("CEF"), which enables the Company, at its sole discretion, over a period of 36 months after the activation of the CEF, to receive proceeds for the amount not to exceed to the greater of $500,000 and the average daily trading dollar volume for the five days preceding to a draw down notice for each drawdown, subject to the amount remaining on the CEF. The distribution of any common shares of the Company under the CEF must be qualified by a prospectus, and the activation of the CEF is subject to the filing of a final shelf base short form prospectus and a prospectus supplement.

On February 6, 2012, the Company filed a preliminary shelf base short form prospectus with related regulatory authorities with the intention to activate the CEF. However, the actual outcome of the related regulatory authorities' review on the preliminary prospectus and the actual timing of the filing of a final shelf base short form prospectus are uncertain. In the event that shelf base short form prospectus was not accepted by the related regulatory authorities, the Company may have to terminate the CEF and seek alternatives, such as through flow-through equity financing and rights offering to existing shareholders, to secure additional funds to meet the needs of operation and capital expenditures. The outcome of these matters cannot be predicted at this time.

In order to increase productivity and reduce production costs, the Company started to implement long hole stoping mining method at its Bucko Lake Mine. The preliminary results indicated that the improved ore quality from the long hole stopes also helped the processing plant achieve better recovery rate. With the continued effort on the mining production efficiency and improvements of its mill production performance, the Company expects that positive cash flows can be generated from the operations at its Bucko Lake Mine for the coming year ending December 31, 2012 assuming that nickel price will not decrease further.

However, there is no assurance that the filing of shelf base short form prospectus to activate the CEF will be accepted by related regulators. If the CEF is not able to be activated, the Company may have to look for other alternative financings. Without further financings, the Company may be forced to delay, limit, or eliminate all or part of capital developments, which, in return, will have adverse impact on the operation. Furthermore if the market price of nickel continues to drop to the level that the Company would have no way to generate positive cash flow from its operations, the Company may be forced to put the mine in care and maintenance.

Nickel Prices

The Company is focused on nickel mining and related activities, including exploration and the extraction and processing of nickel-containing ore. The Company's future profitability is largely dependent on movements in the price of nickel. Nickel prices have historically been volatile and are primarily affected by levels of industrial production in addition to production supply/demand balance. Given the historical volatility of nickel prices, there are no assurances that the nickel price will remain at economically attractive levels. A decline in nickel prices would be expected to adversely affect the business of the Company and could affect the feasibility of the Company's projects. Many nickel projects have been placed on care and maintenance due to the impact of decreased nickel prices since the financial crises in 2008. If nickel prices decrease further and below the economically attractive levels, or CaNickel has difficulty in maintaining sufficient cash resources to maintain operations, CaNickel will have to consider placing the Bucko Lake Mine on care and maintenance.

Nickel prices are also affected by several other factors beyond the Company's control, including the relative exchange rate of the U.S. dollar with other major currencies, global and regional demand, political and economic conditions, production levels and costs and transportation costs in major nickel producing regions. If as a result of a decline in nickel prices, revenues from nickel sales were to fall below cash operating costs, the feasibility of continuing development and operations would have to be evaluated and if warranted, could be discontinued.

Foreign Exchange

Nickel is sold in U.S. dollars thus the Company is subject to foreign exchange risks relating to the relative value of the Canadian dollar as compared to the U.S. dollar. To the extent that the Company generates revenues, it will be subject to foreign exchange risks as revenues will be received in U.S. dollars while operating and capital costs will be incurred primarily in Canadian dollars. The Company does not currently hold any currency hedges. A decline in the U.S. dollar would result in a decrease in the real value of the Company's revenues and adversely impact the Company's financial performance.

Mineral Resource and Mineral Reserve Estimates May be Inaccurate

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves. Such estimates are a subjective process, and the accuracy of any mineral resources and mineral reserves estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. These amounts are estimates only and the actual level of recovery of nickel from such deposits may be different. Differences between management's assumptions, including economic assumptions such as metal prices, market conditions and actual events could have a material adverse effect on the Company's mineral reserve estimates, financial position and results of operations. The results of production activities in 2010 and 2009 called into question the estimated grades at the Bucko Lake Mine upon which the mineral reserve and mineral resource estimates were based. Although the Company has completed additional analysis and continues to believe that the estimated grades are accurate, this could result in a significant adverse impact on the potential profitability of the mine if the Company cannot realize the estimated grades.

Licenses and Permits, Laws and Regulations

The Company's exploration and development activities, including mine, mill, road, rail and port facilities, require permits and approvals from various government authorities, and are subject to extensive federal, provincial and local laws and regulations governing prospecting, development, production, transportation, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more time-consuming and costly. In addition, the Company may be required to compensate those suffering loss or damage by reason of its activities. There can be no guarantee that the Company will be able to maintain or obtain all necessary licenses, permits and approvals that may be required to explore and develop its properties, commence construction or operation of mining facilities. The failure of compliance with federal, provincial, and local laws and regulations could result in a partial, temporary or even complete cessation of the mining operations at the Bucko Lake Mine.

Environmental

The Company's activities are subject to extensive federal, provincial and local laws and regulations governing environmental protection and employee health and safety. Environmental legislation is evolving in a manner that is creating stricter standards, while enforcement, fines and penalties for non-compliance are more stringent. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. Furthermore, any failure to comply fully with all applicable laws and regulations could have significant adverse effects on the Company, including the suspension or cessation of operations.

Title to Properties

The acquisition of title to resource properties is a very detailed and time-consuming process. The Company holds title to the Bucko Lake Mine through mining claims. Title to, and the area of, the mining claims may be disputed. There is no guarantee that such title will not be challenged or impaired. There may be challenges to the title of the properties in which the Company may have an interest, which, if successful, could result in the loss or reduction of the Company's interest in the properties.

CaNickel's interest in the Bucko Lake mining lease is subject to a back-in right held by Xstrata Nickel Inc. In the event that CaNickel identifies a new deposit (in addition to the Bucko Lake Mine) with estimated measured and indicated resources in excess of 200,000,000 pounds of Nickel, Xstrata has the right to purchase a 50% interest in the property and to become the operator of the new deposit in consideration for a payment to CaNickel of an amount equal to the aggregate of all direct expenditures that were incurred by CaNickel in carrying out mining operations on the Bucko Lake Lease outside of the Bucko resource block prior to the date of exercise of the back-in right. Accordingly, the potential benefit to CaNickel of any discovery of a significantly increased deposit will be limited to a 50% interest in the project.

Uninsured Risks

The Company maintains insurance to cover normal business risks. In the course of exploration and development of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including explosions, rock bursts, cave-ins, fire and earthquakes may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the Common Shares.

Competition

The Company competes with many other mining companies that have substantially greater resources. Such competition may result in the Company being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund the Company's operations and develop its properties. The Company's inability to compete with other mining companies for these resources would have a material adverse effect on the Company's results of operations and business.

Dependence on Outside Parties

The Company has relied upon consultants, engineers, third party contractors and others and intends to rely on these parties for development, construction and operating expertise. Substantial expenditures are required to develop and construct mining related facilities, to establish mineral reserves through drilling, to carry out environmental and social impact assessments, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the exploration and plant infrastructure at any particular site. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on the Company.

Qualified Personnel

Recruiting and retaining qualified personnel is critical to the Company's success. The number of persons skilled in the exploration, development, and mining activities is limited and competition for this workforce is generally intense. The operations of the Company may be significantly delayed or otherwise adversely affected if the Company cannot recruit and retain qualified personnel as and when required.

Availability of Reasonably Priced Raw Materials and Mining Equipment

The Company will require a variety of raw materials in its business as well as a wide variety of mining equipment. To the extent these materials or equipment are unavailable or available only at significantly increased prices, the Company's production and financial performance could be adversely impacted.

Failure to Meet Production Targets and Cost Estimates

Although commercial production at Bucko Lake Mine was declared in June 2009, the mine operation has never been reached its designed capacity. Due to numerous reasons, operations at Bucko Lake Mine were suspended twice, in November 2009 and again in October 2010. Since the restart in April 2011, the current operation at Bucko Lake Mine has not yet reached its designed and production level. Also, the cash cost of production is frequently subject to great variation from one year to the next due to a number of factors, such as ore grade, metallurgy, cost of supplies and services (for example, electricity and fuel) and the exchange rate in the case of supplies and services denominated in foreign currencies. If these costs used in connection with the Company's operations were to increase significantly, and remain at such levels for a substantial period, the Company's cash flows from operations may be negatively affected. The Company prepares estimates of future production and unit cash costs of production annually. No assurance can be given that such estimates will be achieved. Failure to achieve production or cost estimates or material increases in operating or capital costs could have an adverse impact on the Company's future cash flows, profitability, results of operations and financial condition.

Share Price Fluctuations

The market price of securities of many companies experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or prospects of such companies. As of March 23, 2012, the common shares of the Company are currently trading approximately 70% below the 52-week high. There can be no assurance that fluctuations in the Company's share price will not continue.

Conflicts of Interest

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other companies and, to the extent that such other companies may participate in ventures in which the Company may participate or consider opportunities that may be of interest to the Company, the directors of the Company may have a conflict of interest. In particular, and without limitation, the Company entered into a management service agreement with a corporation controlled by Wenfeng Liu, a director of the Company, which the corporation provides administrative service, office space, and equipment rental to the Company. Conflicts of interest have the potential to call into question the good governance of the Company and can also result in additional time and costs reviewing and implementing transactions involving a conflict.

Land Reclamation

Although they vary, depending on location and the governing authority, land reclamation requirements are generally imposed on mineral exploration companies, as well as companies with mining operations, in order to minimize long term effects of land disturbance. Reclamation may include requirements to control dispersion of potentially deleterious effluents and to reasonably re-establish pre-disturbance land forms and vegetation. In order to carry out reclamation obligations imposed on the Company in connection with its mineral exploration and mining operations, the Company must allocate financial resources that might otherwise be spent on further exploration programs.

Bucko Lake Mine Nickel Concentrate Sale Agreement

The Company entered into a sale agreement with Xstrata Nickel that provided that the Company will sell 100% of the Bucko Lake nickel concentrate to Xstrata Nickel on commercially competitive terms over the life of Bucko Lake Mine. There can be no assurance that “commercially competitive terms” will be favourable to the Company, given the state of the nickel market. As the Company has agreed to sell 100% of the Bucko Lake nickel concentrate to one customer, should Xstrata Nickel breach the sale agreement or encounter financial difficulties and be unable to perform its obligations under the sale agreement, the Company's financial position could be negatively impacted.

DESCRIPTION OF THE BUCKO LAKE PROPERTY

The information in this section has been derived in part from and based on the assumptions, qualifications and procedures set out in the “Technical Report regarding an Update to Reserves and Resources for the Bucko Lake Nickel Project, Wabowden, Manitoba” (the “Technical Report”), prepared by J. Gregory Collins, an officer of the Company, Paul D. Keller, a former officer of the Company, Martin Drennan of Python Mining Consultants Inc. and Eugene J. Puritch of P&E Mining Consulting Inc., dated March 31, 2009. Each of the authors is a Qualified Person under NI 43-101 and each has reviewed the following information regarding the Bucko Lake nickel mine. See *“Interests of Experts”*, “*Risk Factors - Mineral Resource and Mineral Reserve Estimates May be Inaccurate*” and “*Cautionary Statement Regarding Forward-Looking Information”*.

Property Description and Location

The Bucko Lake property is located near the town of Wabowden, Manitoba, approximately 105 km southwest of Thompson, Manitoba. Various drilling campaigns on the Bucko Lake property over the past 35 years have delineated a mineral resource, containing nickel, copper, cobalt, platinum, palladium and gold.

The Bucko Lake Mine is situated on Mineral Lease - 031 (ML-031) totaling 546 hectares. In Manitoba, a mining lease has a term of 21 years and requires that the party holding such lease make annual payments of CAD$8.00 per hectare if in production, or if not in production at the annual rate of CAD$12.00 per hectare. Mining leases that terminate after the initial 21 year period can be renewed for an additional 21 year period on into perpetuity through the payment of the annual CAD$8.00 or CAD$12.00 per hectare fee. ML-031 was recorded in 1992 and is due for renewal in April of 2013.

CaNickel's 100% interest in ML-031 is subject to a back-in right held by Xstrata Nickel Inc. In the event that CaNickel identifies a new deposit (in addition to the Bucko Lake Mine) with estimated measured and indicated resources in excess of 200,000,000 pounds of nickel, Xstrata has the right to purchase a 50% interest in the property and to become the operator of the new deposit in consideration for a payment to CaNickel of an amount equal to the aggregate of all direct expenditures that were incurred by CaNickel in carrying out mining operations on the Bucko Lake Lease outside of the Bucko Mine prior to the date of exercise of the back-in right.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Access to the site is on an existing all weather road from the town of Wabowden, a distance of approximately 6.3 km. Wabowden is located 4 km from the provincial Highway 6 that connects Winnipeg in southern Manitoba to Thompson in northern Manitoba.

The climate is typical of northern areas within the Canadian Shield with long winters and short and warm to hot summers. Average temperatures range from a low average of -25 ºC in January to a high average of 16.9 ºC in July. The average number of frost free days is 104. The annual precipitation averages 315 cm of rain and 147.5 cm of snow.

Power to the mine site is supplied by a new 66 kv overhead electrical power line built by Manitoba Hydro over a distance of 3.4 km from the main north – south provincial power grid. The power demand for the mine site is conservatively estimated at 7,900 kw, based on electrical process and surface infrastructure, and the underground mine demands rates of 1,000 tonne per day.

Site infrastructure includes a main mill building (approx. 35 m wide by 70 m long), including mill offices, electrical building, maintenance shops and analytical laboratory. The concentrate load-out area is located in a non-heated but enclosed portion of the mill building. Current operations involve dump trucks delivering concentrate to a covered railroad load-out station in Winnipeg, Manitoba. A service building located east of the concentrator building and south of the shaft includes the hoist room and compressors. A separate garage/warehouse is located to the south east and the administration offices and shower/change-room is contained in a six unit trailer complex.

Fresh water make-up is supplied by a combination of water from Bucko Lake and underground diamond drill holes from underground. Recycling systems are established to reuse water from the underground operations and the tailings facility to reduce additional water consumption from the make-up sources.

History

The Bucko Lake Deposit was originally acquired in 1959 by Consolidated Marbenor Mines Limited (CMML) and optioned to Falconbridge in 1962 after the drilling of hole M77-B, which intersected 1.54% nickel over 6.3 metres. CMML and Falconbridge conducted numerous follow-up ground and airborne-based magnetic, electromagnetic, seismic refraction and induced polarization surveys on the claims during the 1960s.

Between 1971 and 1972, an all-weather access road was developed and a three compartment shaft was sunk to the 305 m level (1000’ Level). Approximately 915 m of drifting, in the hanging wall, was completed on the 1000’ Level and an underground diamond drill program consisting of 12,739 m of coring in 61 holes was completed. The shaft was sunk in the footwall gneisses although the exploration drifting crossed through the mineralization-hosting ultramafic unit into the hanging wall gneisses where the bulk of the development occurred. The mineralized zone was intersected by the drift at the extreme south end of the zone but no substantial development was completed within the body. In 1974 the shaft was capped, allowed to flood and the site demobilized. By late 1974, the property had become dormant.

Additional geophysical work was completed in 1990 and 6,880 m of additional drilling was completed over nine holes and three wedges. The reported drilling in and around the Bucko Lake Deposit, between

1972 and 1994 by Falconbridge and CMML consisted of some 130 surface drill holes totaling 43,091 m.

In 2000, Nuinsco Resources Ltd. conducted a 4,628 m due diligence drill program 13 holes to confirm some of the Falconbridge results and to test the continuity and projection of certain zones of nickel mineralization. Nuinsco carried out an additional 2,500 m of diamond drilling in the first quarter of 2001.

CaNickel acquired an option to earn an interest in the Bucko Lake property in 2004. The terms of the option were subsequently amended and, in July 2007, CaNickel exercised its option and acquired a 100% interest in the property, subject to certain royalties and other rights retained by Xstrata Nickel Inc.

Geological Setting and Mineralization

Regional Geology

The Thompson Nickel Belt is a 10 km to 35 km wide belt of variably reworked Archean basement gneisses and early Proterozoic cover rocks between the Superior and Churchill Provinces in northern Manitoba. Strong gravity and magnetic expressions allow delineation of the belt and permit its extension beneath platformal cover. It is comprised of gneisses, meta-sedimentary, meta-volcanic and ultramafic rocks and felsic plutons. Most of the meta-sedimentary, meta-volcanic and ultramafic rocks are on the western side of the belt, which also contains the known nickel deposits. The intermediate to felsic gneisses are stratiform in character and have a complex tectonic and metamorphic history. They show an earlier Achaean granulite facies and a pervasive retrograde Proterozoic amphibolite facies metamorphism.

The meta-sedimentary / meta-volcanic assemblages are long, thin, complexly deformed bands. Some are younger and others coeval with the gneisses. Meta-sedimentary sequences include siliceous, calcareous, pelitic and ferruginous rocks of high metamorphic grade and complex metamorphic histories.

The meta-volcanic pile consists of pillowed and massive meta-basalt flows. They are recrystallized to amphibolites and no primary textures are evident. Associated are magnesian meta-basalt and minor ultramafic flows. Field relationships suggest that the meta-volcanic rocks are coeval with the meta-sedimentary rocks.

The ultramafic rocks have been divided into serpentinite and ultramafic amphibolite units, both of which occur as sheet-like or lenticular concordant bodies in the gneisses. They range from dunite to peridotite to pyroxenite in composition. The general character of the ultramafic rocks suggests that they were originally intruded as sills and are early "Hudsonian" or "pre Hudsonian" in age.

The nickel sulphide deposits are genetically and spatially related to the serpentinite sills. Their present distribution, however, is the result of re-mobilization during the long and complex tectonic history of the Thompson Nickel Belt. Sulphides occur as interstitial grains in the serpentinite, as massive and inclusion bearing sulphides on the contact between the serpentinite and the country rocks and as stringers or veins in the serpentinite and country rocks.

Local Geology

The Bucko Lake property is underlain by Archean gneisses and Proterozoic ultramafic intrusive rocks. The Archean magmatite gneisses have been subdivided into granite gneiss, amphibole gneiss and amphibolite. Granitic gneisses are primarily quartz and potassium feldspar with less than 25% mafic minerals. Amphibole gneisses are 25% to 50% amphibole with the remainder quartz and feldspar. Amphibolites contain more than 60% amphibole.

The Archean gneisses were intruded by Aphebian ultramafic sills including the Bucko Lake ultramafic that hosts the nickel mineralization on the property. The Bucko Lake ultramafic sill is on the northeast flank of the Resting Lake intrusion and is entirely within granodiorite gneiss. The Bucko Lake ultramafic sill is primarily composed of metamorphosed peridotite and dunite with lesser amounts of olivine orthopyroxenite, poikilitic harzburgite, orthopyroxenite and amphibole bearing peridotite. It is a hook shaped body dipping steeply (75 to 80˚) to the east. It is approximately 20m wide at the south end, gradually increasing to over 150 m wide at the north end where it is wraps around the nose of a synformal fold structure plunging steeply to the south. The Bucko Lake Sill has been traced near surface over a north-south strike length of approximately 800 m.

Blocks of amphibolite rich gneiss called plagioclase amphibole, ranging from a few metres to over 30 metres in width, occur in the northern part of the ultramafic sill. The larger xenoliths occur within a distinct bulge or keel in the footwall of the ultramafics adjacent to the Hinge Zone. These blocks appear to be xenoliths of country rock incorporated into the sill during its emplacement.

The sill has undergone two stages of metasomatic alteration. First was the serpentinization of the olivine with concurrent alteration of the orthopyroxene to anthophyllite, tremolite and phlogopite. The second stage of alteration, which is superimposed on the serpentinized ultramafics, occurs as envelopes around pegmatite dikes and fractures. The envelopes range from centimeters to metres in width and consist of an outer zone of talc and tremolite, a central zone of fibrous tremolite and an inner zone of phlogopite and minor anthophyllite.

Exploration

Since acquiring its option on the Bucko Resource Block in 2004, CaNickel has funded several programs of advanced exploration and diamond drilling on the property. The first program was conducted from October 2004 to April 2005 with field work completed by Falconbridge on behalf of CaNickel. Since May of 2005, CaNickel has conducted infill drilling with the goal of further defining the resources at the project. Work completed includes the drilling of 157 diamond drill holes and analysis of drill core totaling 45,905 m, line-cutting, surface and borehole electromagnetic surveying on selected holes, surface and airborne magnetic surveys, borehole directional surveys, petrographic studies and a bathymetric survey of the lake bottom.

In 2004 and 2005, 30 holes for a total of 14,056 m were completed. The results of this program were used by P&E Mining Consultants of Brampton, Ontario (“P&E”) to produce a NI 43-101 compliant report (the "P&E Report") regarding an updated resource estimate for the deposit. The mineable portion of the indicated resource at the 1.5% nickel cut-off from the report was used to determine an updated measured reserve for the deposit, which was incorporated into a technical report prepared by Micon, entitled “Feasibility Study for the Bucko Lake Nickel Deposit, Wabowden Manitoba”, released in January 2006.

The P&E Report highlighted several areas at Bucko where additional drilling could result in further resource expansion. In response to these recommendations, CaNickel undertook a program of drilling in 2006 with the goal of further enhancing the economics of project. Under this program, CaNickel completed a total of 13,549 m in 29 holes.

In November 2006, P&E undertook a re-estimation of the mineral resources at Bucko Lake incorporating the new results. Based on the results from the 2006 program, mineral resource estimates were updated. Stope design and mine sequencing based on the updated resource was modeled in February 2007 by AST.

During the period between November 2006 and April 2007, four additional surface exploration holes were completed at Bucko targeting extensions to mineralization associated with the west limb at dept, and areas of opportunity in the Hinge Zone.

In 2008, drilling at Bucko focused on the completion of the first phase of definition drilling from the 1,000 feet mining level. 80 holes for a total of 13,659 metres of underground drilling was completed.

Drilling

CaNickel has conducted a number of drill programs on the Bucko Lake property. It has completed infill drilling with the goal of further defining the resources at the project. From December 2004 to December 2008, CaNickel completed 157 holes totaling 45,905 metres diamond drilling.

Drilling was completed from both surface and underground collar locations. Holes drilled from surface typically collected NQ diameter core. Core collected from underground drilling collected BQTK diameter core. The majority of surface drill holes were surveyed by DGPS to determine their collar positions. Underground drill holes were located and aligned using standard underground survey methods, reconciled upon completion of drilling at each set up.

Downhole surveying of all drill holes was completed in all holes at a 30 metre intervals using an electronic single shot survey instrument, such as Reflex ZS-Shot or Flex-it. When Single-Shot readings were in question, the holes were re-surveyed using a Reflex Maxibor instrument. All core was logged and is stored on a secured compound at the Bucko Mine Site. Drilling core recovery averaged 99.5%. Drill sites were inspected upon completion by CaNickel personnel, and cleaned if necessary. Manitoba Conservation officers were notified upon the completion of drilling for post drilling site inspection. All casings of completed holes were left in the hole and capped. Site locations were marked with a stake and aluminum tags affixed indicating hole number, depth, azimuth, and dip.

Sampling Methods and Approach

A number of independent technical consultants have commented on the historical sampling of drill core as conducted by Falconbridge in the pre-1994 period and more recently by Nuinsco. Roscoe Postle and Associates (RPA) reported that “The Falconbridge holes appear to have been sampled at about 1.5 m (5 feet) spacing unless there was a geologic reason for a shorter sample”. The Falconbridge holes were not sampled for PGEs. MICON International Inc. conducted statistical analysis on the Nuinsco sampling and noted that Nuinsco instituted a program of check assaying in which the pulps and rejects for 50 samples originally assayed by TSL Laboratories (“TSL”) were re-assayed by Lakefield research. The samples were selected to cover a range of assay values from 0.01% nickel to 5.77% nickel, and were taken from seven runs of consecutive samples. While, overall, the 50 check analyses were similar to the original TSL analyses, a more detailed comparison of TSL results to Lakefield results showed that the average variance for each pair of samples is about 3.50%. The entire set of 50 pulp check samples as assayed by TSL have slightly higher values than Lakefield assays and for the subset of samples > 1.5% nickel, the TSL values have an average variance for each pair of samples of about +2.33%. Geologica concluded that Nuinsco and Falconbridge have sampled the drill holes on the basis of lithological and mineralogical criteria with sample intervals varying from 0.30 m to 3.04 m in length. The drill core was sawn prior to sampling and samples were assayed for nickel by TSL Laboratories in Saskatoon. Copper and PGE assays were not performed.

In a 2004 report, Geologica stated that verification sampling indicated that correlation between original and second half core sampling was acceptable. The correlation coefficient was 91% between Geologica samples and Falconbridge-Nuinsco samples. Geologica stated that logging was reasonable and to industry standards and sample descriptions were described as reasonably representative. Further, Geologica stated that the results indicated that the laboratory utilized consistent methodology with good reproducibility. The correlation coefficient between nickel and cobalt values was 98% while a coefficient of 77% was found between nickel and platinum values. Based on the significant PGE assay results Geologica recommended that all future drill core samples be systematically assayed for PGEs.

Sampling Methods

The core sampling method applied during the 2004 and 2005 drill campaign followed the procedure as set forth in the Thompson Nickel Belt South Diamond Drill Standard Procedures, an adaptation of the El Morro Protocol, the Noranda Generic Drill Site Standard Operating Procedures and the Raglan Diamond Drill Standard Procedures Manual. Technical logging for the Bucko resource delineation and definition drilling (only on the Bucko Resource Block) was done in accordance with procedures outlined by Golder Associates of Sudbury, Ontario. This work was performed by Falconbridge personnel contracted to CaNickel.

Due to the complex history of metamorphism and deformation of the Bucko-Bowden area, the distribution of sulfide mineralization sometimes necessitated the use of multiple overlapping criteria to determine sample intervals. As much as possible no sampling was done across distinct sulfide, lithology or alteration domains. All sulfide-bearing ultramafic rock was assayed.

The maximum sample length was set at 1.5 m, and the minimum sample length was 0.3 m. Where numerous narrow (<0.3 m) intersections of different rock type occurred, sample intervals were based on the dominance of one rock type over the other. In such cases the sample description identifies the rock types and their relative abundance. This situation arose most commonly with:

- the presence of deformed pegmatite dykes in the peridotite and altered ultramafic.
- the presence of peridotite and altered ultramafic xenoliths in pegmatite dykes.
- alternating peridotite and altered ultramafic sometimes with gradational contacts.

Within lithology, sample intervals were based on observations of the alteration styles and intensity. In situations where more than one alteration type occurs over narrow intervals the sample limits were based on the most dominant alteration. Within rock types and alterations, sample intervals were based on sulfides abundance, texture and type. As a rule of thumb, sample intervals had to reflect changes of ± 3-5% sulfide where the sulfide content was < 10%. In cases where the sulfide content ranges from 10-30%, sample intervals were determined by changes of ± 5-8% sulfide. Sample intervals within intersections containing > 30% sulfide were determined by changes of ± 10-20%. Wing samples up hole and down hole to close the sulfide zone were also taken.

On the Bucko resource delineation and definition drilling, core recovery averaged 99.5% while it averaged 97.9% for the Bucko Extension drilling.

Sample Security Procedures

At least one control standard and one blank were inserted per 40 samples. Three different internal control standards representing different grades were utilized and ideally the standard was selected with similar grade as the samples submitted. The standards were made for the Laval Exploration Group in January 2000, and were mixed from rocks obtained at Raglan. 20 sub-samples of the standard were submitted to Lakefield, Bondar-Glegg, TLS laboratories and X-Ral for a Round Robin survey to determine the working values of the standard for nickel, copper, cobalt and sulphur. The chosen blank was diamond drill core (NQ) pieces coming from the Sudbury barren felsic norite. About a kilo of split blank was submitted. Ten samples were sent in for assay to ALS Chemex to confirm the low metal content.

Quality Assurance/Quality Control results have been periodically reviewed and appropriate action taken when problems were detected as outlined in the Noranda QA/QC protocol.

Once all standards, blanks and (duplicates) were assembled, the core was shipped to Thunder Bay, Ontario for preparation and was subsequently analyzed by ALS Chemex in Vancouver, British Columbia. All ALS Chemex laboratories in Canada are registered under ISO 9001:2000 quality standard. The samples were ground transported by Gardwine North of Thompson. To prevent potential tampering, samples were put in sealed plastic bags. A list of each sealed bag was submitted to the laboratory along with the sample list in each bag. On each bag, bag number, sample number and company name were clearly labeled. Once split, the core was stored in racks or cross-stacked at Wabowden core storage area. All rejects and pulps are to be returned to Wabowden and properly stored so as to not alter their integrity.

Mineral Reserve and Mineral Resource Estimates

Results from a program of surface and underground drilling completed on the property from 2007 to 2008 were used to produce an updated Mineral Reserve and Resource estimate, with the primary goal of the underground program being the upgrading of reserves in preparation for mining. Based on drill results from this program and updated information regarding production costs, fully diluted Proven and Probable Reserves at Bucko increased to 3,708,393 tonnes grading 1.45% nickel. This represented a 22% increase in contained nickel over the 2007 Bankable Feasibility Study (BFS) filed on SEDAR on April 24, 2007.

Estimated Mineral Reserves and Resources at Bucko as at December 31, 2008[(1)]

Category	Cut-Off Grade	Tonnes	Ni %	Contained Nickel (000 000 lbs)
Proven Reserves[(1)]	1.25%	359,000	1.63	12.9
Probable Reserves[(1)]	1.25%	3,349,1000	1.44	105.3
Total Reserves	**1.25%**	**3,708,000**	**1.45**	**118.2**
Measured Resources	1.0%	495,000	1.48	16.2
Indicated Resources	1.0%	2,264,000	1.53	76.9
Total Measured and Indicated Resources	**1.0%**	**2,759,000**	**1.53**	**93.1**
Inferred Resources	1.0%	5,468,000	1.34	161.6
Total Inferred Resources	**1.0%**	**5,468,000**	**1.34**	**161.6**

(1) Resources are exclusive of reserves.

The resource calculations were prepared by CaNickel personnel under the supervision of Greg Collins, P. Geo. and former Vice President of Exploration at CaNickel, a Qualified Person under NI 43-101 guidelines and a professional geoscientist experienced in the determination of mineral resources and reserves. Resource estimates were based on geological data collected by representatives from CaNickel and chemical analysis provided by ALS Chemex. The update incorporates historical exploration information collected by Falconbridge and recent surface and underground drill data collected by CaNickel.

The resource estimates were prepared in accordance with the Canadian Institute of Mining, Metal, and Petroleum (CIM) definition standards regarding Mineral Resources and Reserves. Determination of mineral resources was based on geostatistical block modeling using Gemcom Software utilizing the inverse distance squared method for grade interpolation. Estimates were based on information from 285 surface and underground diamond drill holes. Composite lengths were based on a 1.5 metre ideal interval within resource domain solids. The density of nickel mineralized material was based on bulk density measurements where data was available and a calculated determination of bulk density proportionate to a formula based on nickel content where data was absent. Nickel model interpolation values were primarily established in the Measured Resource category based on a 20 metre diameter search ellipse, Indicated Resources based on a 35 metre search ellipse and Inferred Resources based on a 200 metre search ellipse.

Interpreted geological contacts and a 1.0% nickel cut-off grade were used to constrain domains used in the interpolation model.

Resource updates at Bucko were independently reviewed by Eugene Puritch, P.Eng. of P&E Mining Consultants Inc. ("P&E") of Brampton, Ontario. P&E conducted a verification of the estimates prepared by CaNickel and was able to replicate the results within an acceptable margin of variance and concluded that the methodology employed by CaNickel was consistent with industry standards. Mineral resources that are not reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.

The mineral reserve estimates were determined by Martin Drennan, P. Eng. of Python Mining Consultants of Hamilton, Ontario, under the supervision of Paul Keller, P. Eng. and COO of CaNickel at the time, both of whom are Qualified Persons under NI 43-101 guidelines and professional engineers experienced in the determination of reserves, from the Measured and Indicated Resource categories verified by P&E. The methodology employed was a geometric approach specific to the mining method specified in the Company's 2007 Updated Bankable Feasibility Study (BFS). Level spacing was based on a 30 metre arrangement to facilitate extraction via sublevel long-hole stoping methods. Minimum mining width has been assumed to be 2.5 metres. Site operating costs and projected development costs were scheduled into a mine plan and cash flow model based on continued production at 1,000 tonnes per day. A forecast long-term nickel price of US$6.00 was assumed. Mining reserves were established using a 1.25% nickel marginal cut-off grade.

No reconciliation has been made to mineral reserve and resource estimates from the mining production at Bucko Lake Mine since 2009. The Company is planning to update the mineral reserves and resources of Bucko Lake Mine in 2012.

Mining Operations

Commercial production at Bucko Lake Mine was declared in June 2009 and the mine operation was temporarily suspended in November 2009 in order to complete ramp development, review the mining method, accelerate mine development, continue with underground diamond drilling, and to upgrade the backfill plant. At March 26, 2010, CaNickel resumed nickel concentrate shipments from the Bucko Lake Mine. However, due to numerous reasons, the Company was not able to achieve the production target and unit mining cost was very high. In October 2010, the Company temporarily suspended the mining operation at Bucko Lake Mine in order to facilitate the introduction of its own underground mining equipment and team and make readjustments address certain operation issues.

Mining operations at Bucko Lake Mine was resumed in April 2011, but re-startup was affected by the late delivery of mining equipment, issues left over from previous operation, and unfavorable nickel price. In order to reserve capital to complete the construction of paste backfill plant and the tailing facilities, the Company decided to scale down the operation at Bucko Lake Mine on December 29, 2011, however, the decision was reversed as a result of the successful trial of long hole stoping mining method in January 2012. The Company will continue to carry out more studies to optimize the mining method at Bucko Lake Mine to further increase production efficiency ant to reduce operation cost, and expects to mine approximately 329,000 tonnes of ore in 2012.

Concentrate Sale Agreement

In 2007, the Company entered into a sale agreement with Xstrata Nickel that provided that the Company will sell 100% of the Bucko Lake nickel concentrate to Xstrata Nickel on commercially competitive terms over the life of Bucko Lake Mine.

DESCRIPTION OF OTHER EXPLORATION PROPERTIES

THOMPSON NICKEL BELT EXPLORATION PROPERITES (THE "TNB") - MANITOBA

The Thompson Nickel Belt (TNB) is a geological region located in north central Manitoba known to host large deposits of nickel sulphides. Since discovery in the 1950s, the belt has produced more than four billion pounds of nickel from several mines operated at one point or another by either Inco Limited or Falconbridge Limited. Two deposits owned and operated by Inco (Thompson and Birchtree) are currently in production and in 2005 produced about 70 million pounds of contained nickel. The nickel smelting and refining facilities at Thompson contribute to roughly one-third of total Canadian nickel output.

Under the terms of a jointly signed Exploration Agreement ("Agreement") dated July 11, 2007, the Company has the right to earn a 100% interest in Xstrata's TNB Properties (formerly referred to as the TNB North and TNB South Exploration Properties), which includes approximately 580 square kilometres of advanced-stage exploration ground by incurring $13.2 million by December 31, 2013. In 2010, the Company was not able to fulfill the exploration expenditures requirements and entered into an Exploration Option Amending Agreement ("Amending Agreement") with Xstrata. Pursuant to the Amending Agreement, the Company paid Xstrata the amount of $500,000 in 2010 and is required to incur $12.7 million option expenditures before December 31, 2013 as follows:

- An initial amount of not less than $2.5 million during 2007 (incurred);
- Cumulative option expenditures of not less than $5.0 million by on or before December 2008 (incurred);
- Cumulative option expenditures of not less than $7.5 million by on or before December 2009 (incurred);
- Cumulative option expenditures of not less than $9.7 million by December 31, 2011 (incurred);
- Cumulative option expenditures of $11.2 million by December 31, 2012; and,
- Cumulative option expenditures of $12.7 million by December 31, 2013.

The Company's 100% interest in the TNB is subject to a back-in right whereby should CaNickel outline a threshold deposit or deposits, each of which exceed 500,000,000 pounds of nickel in measured and indicated resources, Xstrata has the right to back-in for a 50% interest and become the operator of the threshold deposit or deposits by incurring expenditures on the property in an amount equal to two times the aggregate of all expenditures which were incurred by the Company in carrying out mining operations on the property prior to the back-in, provided that if Xstrata exercises more than one back-in right, then in calculating the required back-in expenditures for each subsequent back-in right expenditures relating to any previously exercised back-in right are excluded from such expenditure calculation.

The TNB South Exploration Properties include (a) the Bowden Lake Nickel Deposit; (b) the M11A North Project Area; (c) Apex Zone Project, and (d) Halfway Lake Project located within 30 kilometres of the Bucko Deposit.

The TNB North Project area encompasses 250 square kilometres of mineral claims in six properties (Burntwood River, Birchtree South, Birchtree North, Airport, Moak Lake and Strong Lake) located adjacent to Inco's Thompson and Birchtree mines near the town of Thompson, Manitoba.

An exploration and delineation drilling was completed in December 2009 at M11A North Project Area. This program consisted of 6,675 metres of diamond drilling in 18 holes, and was designed to test theories on plunge and orientation of previously intersected mineralization. Highlights from the drilling results was released on February 4, 2010 and March 4, 2010, including 8.15 metres grading 1.90% nickel in hole M09-17, 5.20 metres grading 1.82% nickel in hole M09-15, and 4.33 metres in hole M09-18.

No drilling program was carried out in 2010 as the Company was focusing its energies at trying to start up the operations at Bucko Lake Mine. As a result, a modified agreement was entered with Xstrata to cover the deficiency in the exploration expenditures in 2010.

In January 2011, the Company carried out a winter drilling program at two deposits, M11A North Deposits and Gonlin Deposits, of the TNB, to explore further potential in satellite deposits surrounding the Bucko Lake Mine. A total of 13 holes were completed, and a total of 5,889 metres was drilled throughout the program with 1,548 samples taken. There was no significant result from the hole drilled at Gonlin Deposits, and a total of 5,202 metres in 12 diamond drill holes were completed at M11A North Deposits, of which 11 holes reached their planned depth with 1,548 samples assayed while one hole was abandoned. This successful winter drilling program demonstrates that the M11A North Deposit can be extended at depth, to the northeast and southwest tying the deposit to mineralization intersected in drill hole M09-17 with several intervals of potentially mineable widths and grades. Hole M11-08 with 14.25 metres grading 1.60% nickel and hole M11-07 with 14.85 metres grading 1.19% nickel and another intersection of 6.40 metres grading 1.80% nickel had extended the deposit to the northeast. The previously discovered high grade mineralization in hole M08-03 and hole M09-12 had been extended further at depth by hole M11-01 with an intersection of 9.98 metres grading 2.35% nickel. For detailed and complete drilling results of the winter drilling program at the M11A Deposits, please refer to the press release dated June 29, 2011.

In the fourth quarter of 2011, the Company carried out another winter drilling program at M11A North Deposits. A total of 1,973 metres were completed and sampled and assayed in the 3 diamond drill holes of this 12 hole drilling programs. The assay results of these three holes were published on the press release dated March 5, 2012.

The Company plans to review results from the drilling program and update resource calculations at M11A in 2012. The Company is advancing the M11A North Deposit with the expectation that it could eventually provide a source of supplemental ore feed for Bucko Lake Mine.

During the year ended December 31, 2011, the Company incurred exploration expenditures of $2.2 million at TNB. As of December 31, 2011 the Company incurred a cumulative total of approximately $16.5 million at the TNB.

PURE NICKEL JOINT VENTURE

In November 2007, the Company entered into a 50-50 Joint Venture Agreement with Pure Nickel Inc. ("Pure Nickel") to explore and develop nickel deposits on properties controlled by both parties near Wabowden, Manitoba near the past-producing Manibridge Nickel Mine. The Company will also have the right to permit, operate and close the historic tailings facility in the joint venture.

Each party contributed property to the joint venture and agreed to make an initial aggregate contribution of $6,000,000 by the end of 2011 to fund preliminary exploration activities within the joint venture area. In November 2008, the terms of the Pure Nickel Agreement were amended to allow Pure Nickel the option to earn a 50% interest in an expanded area surrounding the Manibridge deposit by incurring increased exploration expenditures totaling $3,000,000 by 2012.

Pursuant to an option agreement with Hudson Bay Exploration and Development Company Limited ("HBED"), the Company could acquire a 100% interest in two claims within the area of interest of the Pure Nickel joint venture by making payments of $250,000 and funding a total of $750,000 in exploration expenditures by 2011, subject to a back-in clause, right of offer for off-take and a 2% net smelter return payable to Pure Nickel. There was no activity at HBED property in 2011, and the option agreement was terminated in 2011.

In June 2011, the Company and Pure Nickel had mutually agreed to dissolve the joint venture partnership between the two companies. All mineral claims Pure Nickel put into the joint venture were returned to

Pure Nickel, and the Company retains the mineral claims the Company put into the joint venture ("Joint Venture Claims"). The Joint Venture Claims are considered non-core assets of the Company and the Company has no plan to conduct any exploration activities on those mineral claims in the next two or three years. As a result, upon dissolution of the joint venture partnership, the Company wrote off the carrying value of the Joint Venture Claims and the proportion shares of the carrying value of the joint venture, and a total of $504,498 write-down charges were recorded on the consolidated statements of comprehensive loss for year ended December 31, 2011.

SUDBURY PROPERTIES – ONTARIO

In the Sudbury Basin, CaNickel maintains an interest in approximately 75.4 square kilometres of mining property which includes: (1) the AER Kidd Project; and (2) the Peter's Roost Property.

AER Kidd Property

CaNickel holds a 100% interest in a 280 hectare property along approximately 2 kilometres of the historically productive Worthington Offset Dyke of the Sudbury Intrusive Complex (SIC, Sudbury Basin). Past production on the AER Kidd property has come from numerous underground and surface workings (Howland Pit, Rosen and Robinson Deposits). The property is subject to an Agreement dated June 9th, 2000 made between AER Nickel Corporation, Toburn Gold Mines Ltd., Patrick J. Sheridan Sr., and CaNickel. CaNickel has fulfilled all its obligations under the terms of this Agreement and has vested a 100% interest in the property subject to a 3% net smelter royalty. There is a $50,000 advance royalty payment payable semi-annually beginning January 31, 2001. CaNickel may purchase up to 50% of this royalty for $1.2 million up to the time when commercial production commences.

From December 2003 to August 2004, CaNickel was active on the property, completing 18,000 metres of diamond drilling in 27 holes designed to test a series of geophysical anomalies along a one kilometre segment of the Worthington Offset Dyke, roughly one kilometre northeast of Inco's Totten Deposit.

Eleven of the 27 core drill holes completed intersected sulphide-bearing Quartz Diorite (QD), whereas another 10 core drill holes did not intersect the QD because it was cut-off or displaced, by gabbro dykes or faulting, or oriented differently than predicted. Stringer and massive sulphides were present. The best intersection from this program was in Hole DDH-3AW1 which intersected 19.2 metres (9.8 metres true width) grading 0.80% nickel, 0.48% copper and 1.02 gpt PGM's that included a higher grade 8.3 metre (4.2 metre true width) intersection grading 1.46% nickel, 0.56% copper and 1.31 gpt PGMs.

Deep drilling of an area of the property below Perch Lake targeted a stronger geophysical response and was successful in identifying a 30 metre to 50 metre wide segment of the Worthington Offset Dyke with disseminated sulphides, the occasional sulphide stringers and pervasive mineral alteration suggestive of marginal or halo-type mineralization surrounding or capping potentially more massive sulphide mineralization at depth.

CaNickel's exploration approach at the AER Kidd Property has been successfully used by companies exploring for Offset, Sublayer or Contact ores in the Sudbury Basin. This work was successful in identifying new mineralized occurrences at depth, but was unsuccessful tieing together enough mineralization to constitute a significant new mineral resource. Despite the level of work on the property, CaNickel believes that it is still in the early exploration stages at the AER Kidd Property and that several targets identified during the course of exploration remain untested. The potential remains of deposits on the order of 5 to 10 million tonnes to occur above the 1,000 metre depth and that exploration potential below the 1,000 metre depth are wide open.

There is currently no activity on this property. The Company maintains a 100% interest in the mining patents associated with this property, but the value of the property was written off in 2008. Going forward, and in light of CaNickel's commitments in the Thompson Nickel Belt, including the financing, development, operation of Bucko Lake Mine, the Company will look to enter into a joint venture agreement with a third party whereby such third party will fund future exploration activities in order to earn an interest in the AER Kidd Property. Should such efforts fail to result in a joint venture agreement, CaNickel will look to fund advanced exploration from cash flows from Bucko Lake Mine, Manitoba once the production ramped up or other free cash as it becomes available.

Peter's Roost Property

CaNickel maintains a 100% undivided interest in 884 mining claim units totaling 442 square kilometres in surface area. These mining claim units are distributed over 7 townships located between the towns of Capreol and Cartier approximately 40 kilometres north of the City of Sudbury.

The Property covers prospective portions of east-west trending corridors running parallel to the North Range footwall contact of the Sudbury Intrusive Contact (SIC, Sudbury Basin) and potential north-south trending Offset structures. These corridors and structures are interpreted to be prospective for the occurrence of Offset Type nickel-copper-PGM and Volcanogenic Massive Sulphide (VMS) Type copper-zinc-silver-gold mineralization.

In 2006, the Company reached an agreement with Wallbridge Mining Company Limited ("Wallbridge") to earn an initial and conditional 50% interest in the Company's interests in the Peter's Roost group of properties. For any new properties Wallbridge acquires within the joint venture area, the Company will have the right to acquire a 25% participating interest, at such time as an indicated resource is established, by reimbursing Wallbridge 50% of its exploration costs to that point.

Wallbridge was required to incur $700,000 in exploration expenditures on the properties by December 31, 2007 in order to earn an initial 50% interest. In January 2008, Wallbridge earned an initial 50% interest in the property and submitted proposals for additional work in 2009. In April 2009, CaNickel granted Wallbridge an extension to the period required to complete minimum exploration expenditures for 2009 and Wallbridge committed to fund additional work on the property in 2010. Under the terms of the Agreement, Wallbridge had an option right to increase its ownership to a 70% vested interest in any or all of the four separate project areas by funding a further $1,000,000 in exploration expenditures in each project area in which it selects to vest by December 31, 2010. Failure to vest in a specific project area will result in ownership reverting back to the Company. Wallbridge did not fulfill the $1,000,000 exploration expenditures commitment as of December, 31, 2010. In 2011, the Company and Wallbridge had mutually agreed to terminate the option agreement, and all mineral claims were returned to the Company.

DIVIDENDS

The constating documents of the Company do not limit its ability to pay dividends on its Common Shares. However, the Company has not paid any dividends since incorporation and the Company does not expect to pay dividends in the foreseeable future. Payment of dividends in the future will be made at the discretion of the Board.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of the Company consists of an unlimited number of common shares without par value (the "Common Shares"), of which 1,500,826,712 Common Shares were issued and outstanding as of March 30, 2012. A further 349,755,000 Common Shares have been reserved for issuance upon the due and proper exercise of certain stock options and share purchase warrants outstanding as of March 30, 2012.

Common Shares

Holders of Common Shares are entitled to receive notice of and to attend any meetings of shareholders and shall have one vote per share at all meetings, except meetings at which only holders of another class or series of shares are entitled to vote separately as such class or series. Holders of Common Shares are entitled to receive, on a pro rata basis, such dividends, if any, as and when declared by the Board and, upon liquidation, dissolution or winding up of the Company, 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.

MARKET FOR SECURITIES

The Common Shares of the Company commenced trading on the Toronto Stock Exchange on December 3, 2008 under the symbol "CML", prior to which the common shares traded on the TSX Venture Exchange under the same symbol. The table below shows the price ranges and volume of trading for each month of the year ended December 31, 2011:

Month	High ($)	Low ($)	Close ($)	Average Daily Volume (# of Shares)
December 2011	0.05	0.04	0.04	128,000
November 2011	0.06	0.05	0.05	211,500
October 2011	0.06	0.05	0.06	166,900
September 2011	0.08	0.05	0.06	369,600
August 2011	0.09	0.06	0.07	248,000
July 2011	0.09	0.07	0.09	568,700
June 2011	0.09	0.07	0.07	698,300
May 2011	0.09	0.07	0.07	504,200
April 2011	0.12	0.06	0.09	2,871,500
March 2011	0.08	0.05	0.08	1,426,000
February 2011	0.07	0.06	0.06	525,300
January 2011	0.07	0.06	0.06	1,537,300

ESCROWED SECURITIES

The Company has no securities currently held in escrow.

DIRECTORS AND OFFICERS

The following table sets forth the name, province of residence, position held with the Company, and principal occupation of each person who is a director/officer or a former director/officer of the Company but hold office in 2011. Unless otherwise stated, all directors hold office until the next annual meeting of shareholders of the Company or until their successors are elected or appointed.

Name and Province of Residence	Position(s) with Company and Period of Service as a Director	Principal Occupation
Wenfeng Liu [(2)(3)] (British Columbia, Canada)	Chairman and Director Since December 2010	Business Executive
Dr. Dianmin Chen (Australia)	Director since August 2011, CEO since August 2011	Chief Executive Officer of the Company
Myles Gao[(1)(2)(3)] (British Columbia, Canada)	Director since December 2010	Mining Executive
Michal Hibbitts[(1)(2)(3)] (British Columbia, Canada)	Director since December 2010	Mining Executive
John (Zhonghua) Pan[(1)] (British Columbia, Canada)	Director since December 2010	Geologist
Derek Liu (British Columbia, Canada)	Chief Financial Officer and Corporate Secretary since December 2010	CFO and Corporate Secretary of the Company
Rick Sproule (Ontario, Canada)	Vice President of Geology Since October 2010	Vice President of Geology of the Company
Kevin (Xuexin) Zhu (British Columbia, Canada)	Former Director from September 2010 to August 201, Former Interim CEO from December 2010 to August 2011	Mining Engineer and Executive

(1) Member of the Audit Committee.
(2) Member of the Compensation Committee.
(3) Member of the Corporate Governance and Nominating Committee.

The current directors and officers of the Company, as a group, beneficially own, directly or indirectly, or exercise control over, 567,401,145 common shares, representing approximately 37.8% of the issued and outstanding common shares of the Company as of the date hereof.

The principal occupations, businesses or employments of each of the Company's directors and executive officers within the past five years are disclosed in the brief biographies below.

Wenfeng Liu, Chairman and Director, Mr. Liu is a Chinese-Canadian businessman and investor who has numerous business interests and who serves as a principal of Canadian Maple Leaf Investment Ltd. (CMLI). Mr. Liu has held senior positions with Chinese steel producer Hebei Wenfeng Iron and Steel Co., Ltd. from its inception to 2004, as well as senior management and executive positions in various other business corporations in China. In Canada Mr. Liu served as Director of Welichem Biotech Inc. from January 24, 2008 to March 12, 2009.

Dr. Dianmin Chen, Director and Chief Executive Officer, Dr. Chen is a mining engineer and executive with over 20 years experience in the mining industry. After graduating from Central South University in Changsha, China with a Bachelor of Science degree in Mining Engineering, Dr Chen worked in the mining industry in China for eight years, and then was sponsored to conduct research in Australia in 1990. In 1994 Dr Chen was granted his PhD degree from Wollongong University, Australia for his work on rock bolting design systems in underground excavation. Dr Chen then worked for Northparkes Mines (now part of Rio Tinto) on the design and production of a large modern block carving operation. In 1998, Dr Chen joined Barrick Gold Corporation, the biggest gold producer in the world, where he held progressively senior roles, and worked at several of Barrick's projects/ operations in Australia. Dr Chen moved to Sino Gold Corporation, an Australian mining company, (now merged into Eldorado Gold, a Canadian company) in 2007 and was appointed the Executive Director and General Manager at Sino Jinfeng Mining Ltd, a subsidiary of Sino Gold in 2008, where he was responsible for the management of the Jinfeng Gold Mine located in Guizhou Province, China. In 2009, Dr Chen was the Chief Operations Officer of CITIC Pacific Mining Management Ltd in Western Australia before he became the Vice President of Operations at Minco Silver Mining Company and the President of Foshan Minco Fuwan Mining Co Ltd., a subsidiary of Minco Silver.

Myles Gao, Director, Mr. Gao is a director and the president and chief operating officer of Silvercorp Metals Inc since 2003. He has worked for numerous Canadian mining and exploration companies. He is based part-time in China, where he is also active in sourcing, assessing and acquiring mineral projects for the Company.

Michael Hibbitts, Director, Mr. Hibbitts is a professional geologist and senior mining professional with over 30 years of extensive and progressive experience and a proven track record from early exploration through to feasibility, mine development, and production. He has held senior positions at numerous public Canadian mining companies and is currently the Vice President Development and Exploration at Majestic Gold Corp.

John (Zhonghua) Pan, Director, Mr. Pan is a geologist with more than 15 years of experience in mineral exploration and mining. He has a doctorate in geology and is currently a consulting geologist with CRMC Canadian Royal Mining Corp.

Derek Liu, Chief Financial Officer and Corporate Secretary, Mr. Liu is a professional accountant with over 15 years of diverse international experience in financial reporting, auditing, and accounting. He is a member of Certified General Accountants Association of British Columbia ("CGA, BC") and a Certified Public Accountant ("CPA") in the State of Colorado, USA. Prior to joining the Company, he was the Chief Financial Officer of Prophecy Resource Corp., a Director and Chief Financial Officer of Maple Leaf Reforestation Inc., and held controller position at Silvercorp Metals Inc. from 2006 to 2010.

Rick Sproule, Vice President of Geology, Mr. Sproule has over 34 years of experience in exploration and geology, with a specific focus on base metals, uranium and gold. He was previously the Senior/Chief Mine Geologist at Goldcorp's Red Lake Mine for eight years. Prior to that, he also worked for Kinross Gold as Mine Geologist and has served on the Board of Directors for various junior mining and exploration companies. Rick has spent a number of years as a consulting geologist handling a portfolio of exploration projects including nickel exploration and evaluation. He holds a Bachelor of Science in geology from Dalhousie University.

Kevin (Xuexin) Zhu, former Director and Interim Chief Executive Officer, Mr. Zhu is a PMI-certified project management professional with 20 years' experience in planning, design and construction management of open pit and underground mines in China and Canada. Prior to joining CaNickel, he worked at Continental Minerals Corporation for two years as project manager of Xietongmen project, two years with Eldorado Gold Corporation as senior mining engineer and chief engineer at Tanjianshan mine, and six years with Sino Gold Limited as senior manager at JCL gold mine and White Mountain project. He holds a Master Degree in Mining Engineering from Laurentian University.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer (a) is, as at the date of this document, or has been, within ten years before the date of this document, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity: (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under the securities legislation, for a period of more than 30 consecutive days; (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or (iii) 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 (b) 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 proposed director.

No director or executive officer of CaNickel, or a shareholder holding sufficient number of securities of the Company to affect materially the control of the Company, has been subject to: (i) 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 (ii) 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 of the Company's directors and officers serve or may agree to serve as directors or officers of other reporting companies or have significant shareholdings in other reporting companies. For a list of the other reporting issuers in which directors of the Company also serve as directors, please see the 2011 Management Information Circular of the Company and the above biographies of Myles Gao and Michael Hibbitts.

Under the laws of the Province of British Columbia, the directors and senior officers of the Company are required to act honestly and in good faith with a view to the best interests of the Company. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will disclose such interest in a contract or transaction and will abstain from voting on any resolution in respect of such contract or transaction. Please also see the information above regarding certain existing conflicts of interest involving members of the Board under the heading *"Narrative Description of the Business – Risks of the Business – Conflicts of Interest"*.

AUDIT COMMITTEE DISCLOSURE

National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators (“NI 52-110”) requires the Company to have a written audit committee charter and to make the disclosure required by Form 52-110F2.

Audit Committee Charter

Please find attached as Schedule A hereto, a copy of the Charter of the Audit Committee of the Board of Directors, which has been adopted by the Board in order to comply with NI 52-110 and to more properly define the role of the Committee in the oversight of the financial reporting process of the Company. Nothing in the Charter is intended to restrict the ability of the Board or Committee to alter or vary procedures in order to comply more fully with the Instrument, as amended from time to time.

Composition of the Audit Committee

The Company's audit committee is comprised of three directors, Michael Hibbitts (Chair), Myles Gao, and John (Zhonghua) Pan. Each member of the audit committee is independent of the Company and financially literate; as such terms are defined in NI 52-110.

Relevant Education and Experience

The following provides a brief summary of the qualifications of each member of the Audit Committee.

Michael Hibbitts, Director

Mr. Hibbitts is a professional geologist. Mr. Hibbitts graduated from Dalhousie University in 1976 with a Bachelor’s degree in science and from St. Mary's University in 1977 with a Bachelor’s degree in Education. From 2004 to 2006, Mr. Hibbitts was the Vice President of Exploration and Development in DRC Resources/New Gold Inc. From 2007 - 2008, he was the Vice President of Exploration at International KRL Resources. In 2009, he was the Vice President of Operation at Silvercorp Metals Inc. Since 2009, he has been the Vice President of Development and Exploration at Global Hunger Corp. and Majestic Gold Corp.

Myles Gao, Director

Mr. Gao is a professional geologist. He graduated from Laurentian University in 1993 with a Master’s degree in science and from Chinese University of Geosciences in 1986 with a Master’s degree in science. From 1998 to 2003, Mr. Gao was a senior geologist at Northgate Minerals, and since 2003, he has been the President and Director of Silvercorp Metals Inc.

John Pan, Director

Mr. Pan graduated from Changchun College of Geology in 1982 with a Bachelor’s degree in engineer in mineral exploration and in 1993, he earned a Doctor's degree in Geology from the Institute of Geology, Chinese Academy of Sciences. Mr. Pan is a member of the American Chemical Society and the Society of Chinese Mineralogy, Petrology and Geochemistry. From 1998 to 2003, Mr. Pan was the post doctoral research scientist/research associate at Henry Krumb School of Mines, Columbia University. From 2004 to 2005, he was a project engineer at Process Research ORTECH Inc. From 2006 to 2007, he was a metallurgist at Process Research Associates Ltd. From 2007 to 2008, he was a project geologist at Red Dragon Resources Corporation. From 2008 to 2009, he was a geologist at Silvercorp Metals Inc. From 2009 to 2010, he was a staff exploration geologist at Xcel Management Consulting Inc. From 2010 to

2011, he as a consulting geologist at Majestic Gold Corp, and since 2011, he has been a consulting geologist at CRMC Canadian Royal Mining Corp.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year has there been a recommendation of the Audit Committee to nominate or compensate an external auditor that was not adopted by the Board.

Reliance on Certain Exemptions

At no time since the commencement of the Company’s most recently completed financial year has the Company relied on the exemption in sections 2.4, 3.2, 3.3(2), 3.4, 3.5, 3.6 or 3.8 of NI 52-110, or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services.

External Auditor Service Fees

The Audit Committee has review a nature and amount of the services provided by Ernst & Young LLP to ensure auditor independence. Fee billed by external auditors for audit services in the last two fiscal years are outlined below:

Nature of Services	Year Ended December 31, 2011	Year Ended December 31, 2010
Audit fees (1)	$105,000	$80,000
Tax fee (2)	Nil	$10,545
Audit related fees (3)	$10,000	Nil
Total fees	$115,000	$90,545

Notes:

(1) "Audit Fees" include fees and expenses related to professional services of the principal accountant for the audit of the Company's annual financial statements and the review of the Company's interim financial statements, notwithstanding when the fees and expense were billed or when the service were rendered.

(2) "Tax fees" include fees and expense related to professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning from January through December of the fiscal year, notwithstanding when fees and expenses were billed. In 2010, the tax fees were for corporate tax returns and general tax inquires.

(3) "Audit related fees" include fees and expense related to assurance and related services by the principle accountant that reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under above item (1). In 2011, the audit related fee was for the review of the Company's Bucko Lake Mine valuation model.

PROMOTERS

To the best of the Company's knowledge, no person or company has been within the three most recently completed fiscal years, or is during the current fiscal year, a promoter of the Company.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Met-Chem Canada Inc. (“Met-Chem”) made a claim against the Company for amount of $260,000, plus interest at the Royal Bank of Canada Prime Rate + 2% from March 2009 to date of payment. Subsequent to the year ended December 31, 2011, the Company reached an agreement to settle Met-Chem's claim by making instalments in the aggregate amount of $57,691 to Met-Chem.

During the year ended December 31, 2011, the Company commenced a legal action against Total Equipment Services (“Total Equipment”) and Total Electric System Inc for their breach of contract and claimed a refund of $0.3 million prepayment and a loss of damage of $1.2 million. Total Equipment made a counterclaim in the amount of $0.4 million. The outcome and ultimate value of settlement are not determinable as at December 31, 2011.

There have been no penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the fiscal year ended December 31, 2011, or any other time that would likely be considered important to a reasonable investor making an investment decision in the Company. The Company has not entered into any settlement agreements with a court relating to securities legislation or with a securities regulatory authority during the fiscal year ended December 31, 2011.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of the directors, executive officers or principal shareholders of the Company and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction within the past three years or in any proposed transaction that has materially affected or will materially affect the Company or any of its subsidiaries, other than:

- In May 2011, the Company entered into one year term debt facility of up to US$5 million with Hebei Wenfeng Industrial Group Limited ("Hebei Wenfeng"). The debt facility bears an interest rate of 10% per annum and the Company is required to pay 2% of any funds drawn down under the debt facility as structuring fee to Hebei Wenfeng. Hebei Wenfeng, an insider of the Company, who, together with its affiliated entity, King Place Enterprises Limited ("King Place"), owns approximately 37.6% of the issued and outstanding shares of the Company. The debt involves no equity or voting component and therefore is exempt from related party transaction requirements of Multilateral Instrument 61-101. Subsequent to the year ended December 31, 2011, the Company entered into amending agreement with Hebei Wenfeng to extend the term of the debt from one year term to three year term.

- In April 2011, the Company received majority disinterested shareholders' written consent and issued 258,819,703 common shares of the Company to King Place to retire all outstanding convertible debentures and accrued interest of $11,310,421 the Company owed to King Place. Pursuant to the terms of the Convertible Debentures Notes, the conversion price was $0.0437 per share, which was the price equal to the volume weighted average price of the Company shares on the five trading days (from March 15 to March 21, 2011) less the permitted discount of 25%.

- During the year ended December 31, 2010, the Company entered into three convertible debenture notes with King Place to raise gross proceeds of $23,050,000, which could be converted into common shares at a conversion price equal to five-day Volume Weighted Adjusted Price (VWAP) on the TSX at the time of conversion less the maximum discount allowed under TSX regulations, subject to the Company not issuing an aggregate of more than 58,356,471 common shares of CaNickel in total without prior approval from a simple majority of disinterested shareholders.

- In June 2010, Pala sold all 152,311,221 common shares and 50,588,235 warrants of the Company to King Place for $30.75 million. As a result of this transaction, a change of control of the Company was triggered, and King Place became the largest shareholders and held approximately 42.3% of then-issued and outstanding common shares of the Company.

- In 2009, King Place participated in private placement financing of the Company to purchase 80,000,000 common shares at a price of $0.25 per share for an aggregate purchase price of $20,000,000.

- In connection with its purchase of securities of the Company on July 2009, the Company granted Pala the right to nominate two persons to the Board.

- Pala holds a significant shareholding in Dumas, which was the mining contractor, engaged by the Company at the Bucko Lake Mine.

- Pala submitted the Expression of Interest to the Company in January 2010.

- Pala participated in the private placement financing of the Company completed on February 19, 2010 pursuant to which Pala purchased 36,231,250 common shares at a price of $0.16 per common share for an aggregate purchase price of $5,797,000.

TRANSFER AGENTS AND REGISTRARS

The Company's transfer agent is Equity Transfer and Trust Company, located in Toronto, Ontario.

MATERIAL CONTRACTS

There are no other contracts, other than those disclosed in this AIF and other than those entered into in the ordinary course of the Company's business, that are material to the Company and which were entered into in the most recently completed financial year ended December 31, 2011, or before the most recently completed financial year but are still in effect as of the date of this AIF.

INTERESTS OF EXPERTS

J. Gregory Collins and Paul D. Keller (both of whom were officers of the Company at the time of the Technical Report), Martin Drennan of Python Mining Consultants Inc. and Eugene J. Puritch of P&E Mining Consulting Inc., were the authors of the Technical Report.

To the knowledge of the Company, none of the aforementioned individuals had an interest in any securities or other properties of the Company, its associates or affiliates as at the date the individual prepared the applicable report and as at the date hereof, other than Mr. Collins who held 40,000 common shares and 875,000 stock options, and Mr. Keller who held 1,500,000 stock options. In 2009, Mr. Keller resigned as the Chief Operating Officer of the Company. In 2010, Mr. Collins resigned as the Vice President, Exploration.

Ernst & Young, LLP, the auditors of the Company, are independent of the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

ADDITIONAL INFORMATION

Additional information on the Company can be found on the Company's website at www.canickel.com or on SEDAR located at www.sedar.com.
Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under the Company's stock base compensation plan is contained in the Company's management information circular for its most recent annual meeting of shareholders that involved the election of directors.

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

SCHEDULE A

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

I. PURPOSE

The Audit Committee shall provide assistance to the Board of Directors of CaNickel Minerals Inc. (the "Company") in fulfilling its financial reporting and control 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 to:

- Oversee the accounting and financial reporting processes of the Company, and the audit of its financial statements, including: (i) the integrity of the Company's financial statements; (ii) the Company's compliance with legal and regulatory requirements; and (iii) the independent auditors’ qualifications and independence.

- Serve as an independent and objective party to monitor the Company's financial reporting processes and internal control systems.

- Review and appraise the audit activities of the Company's independent auditors.

- Provide open lines of communication among the independent auditors, financial and senior management, and the Board of Directors for financial reporting and control matters, and meet periodically with management and with the independent auditors.

COMPOSITION

The Audit Committee shall be comprised of at least three directors. Each Committee member shall be an “independent director” within the meaning of National Instrument 52-110 – *Audit Committees* (“NI 52-110”), as may be amended from time to time. Pursuant to NI 52-110, a member will be considered “independent” if he has no direct or indirect, material relationship with the Company. NI 52-110 sets forth certain relationships which deem one not to be independent. In addition, the composition of the Audit Committee shall comply with the rules and regulations of the Toronto Stock Exchange and any other stock exchange on which the shares of the Company are listed, subject to any waivers or exceptions granted by such stock exchange.

In addition, a director shall not be qualified to be a member of the Audit Committee if such director (i) is an “affiliated person” or (ii) receives (or his/her immediate family member or the entity for which such director is a director, member, partner or principal and which provides consulting, legal, investment banking, financial or other similar services to the Company), directly or indirectly, any consulting, advisory, or other compensation from the Company other than compensation for serving in his or her capacity as member of the Board and as a member of Board committees. An “affiliated person” means a person who directly or indirectly controls the Company, or a director, executive officer, partner, member, principal or designee of an entity that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Company.

All members shall, to the satisfaction of the Board of Directors, be financially literate in accordance with the requirements of the NI 52-110 (i.e. will have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the

Company's financial statements). At least one member shall have accounting or related financial management expertise to qualify as a "financial expert". A person will qualify as "financial expert" if he or she possesses the following attributes:

1. an understanding of financial statements and generally accepted accounting principles used by the Company to prepare its financial statements;

2. an ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;

3. experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more persons engaged in such activities;

4. an understanding of internal controls and procedures for financial reporting; and

5. an understanding of audit committee functions.

The Committee members will be elected annually at the first meeting of the Board of Directors following the annual general meeting of shareholders.

Quorum for the transaction of business at any meeting of the Committee shall be a majority of the number of members of the Committee or such greater number as the Committee shall be resolution determine.

RESPONSIBILITIES AND POWERS

Responsibilities and powers of the Audit Committee include:

- Annual review and revision of this Charter as necessary with the approval of the Board of Directors provided that this Charter may be amended and restated from time to time without the approval of the Board of Directors to ensure that that the composition of the Audit Committee and the Responsibilities and Powers of the Audit Committee comply with applicable laws and stock exchange rules.

- Making recommendations to the Board of Directors regarding the selection, the appointment, evaluation, fees and compensation and, if necessary, the replacement of the independent auditors, and assisting in resolving any disagreements between management and the independent auditors regarding financial reporting.

- Approving the appropriate audit engagement fees and the funding for payment of the independent auditors' compensation and any advisors retained by the Audit Committee.

- Ensuring that the auditor's report directly to the Audit Committee and are made accountable to the Board and the Audit Committee, as representatives of the shareholders to whom the auditors are ultimately responsible.

- Confirming the independence of the auditors, which will require receipt from the auditors of a formal written statement delineating all relationships between the auditors and the Company and any other factors that might affect the independence of the auditors and reviewing and discussing with the auditors any significant relationships and other factors identified in the statement. Reporting to the Board of Directors its conclusions on the independence of the auditors and the basis for these conclusions.

- Overseeing the work of the independent auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services.

- Ensuring that the independent auditors are prohibited from providing the following non-audit services and determining which other non-audit services the independent auditors are prohibited from providing:

  - bookkeeping or other services related to the accounting records or financial statements of the Company;

  - financial information systems design and implementation;

  - appraisal or valuation services, fairness opinions, or contribution-in-kind reports;

  - actuarial services;

  - internal audit outsourcing services;

  - management functions or human resources;

  - broker or dealer, investment adviser or investment banking services;

  - legal services and expert services unrelated to the audit; and

  - any other services which the Public Company Accounting Oversight Board determines to be impermissible.

- Pre-approving all audit services, internal control related services and approving any permissible non-audit engagements of the independent auditors, in accordance with applicable legislation.

- Meeting with the auditors and financial management of the Company to review the scope of the proposed audit for the current year, and the audit procedures to be used.

- Meeting quarterly with auditors in “in camera” sessions to discuss reasonableness of the financial reporting process, system of internal control, significant comments and recommendations and management’s performance.

- Reviewing with management and the independent auditors:

  - the Company's annual financial statements (and interim financial statements as applicable) and related footnotes, management’s discussion and analysis and the annual information form, for the purpose of recommending approval by the Board of Directors prior to its release, and ensuring that:

    i. management has reviewed the audited financial statements with the audit committee, including significant judgments affecting the financial statements

    ii. the members of the Committee have discussed among themselves, without management or the independent auditors present, the information disclosed to the Committee

    iii. the Committee has received the assurance of both financial management and the independent auditors that the Company's financial statements are fairly presented in conformity with Canadian GAAP in all material respects

- Any significant changes required in the independent auditors' audit plan and any serious issues with management regarding the audit.

- the Company's internal controls report and the independent auditors' certification of the report, and review disclosures made to the Committee by the CEO and CFO about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

- Other matters related to the conduct of the audit that are to be communicated to the Committee under generally accepted auditing standards.

- Satisfying itself that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, other than the public disclosure described in the preceding paragraph, and assessing the adequacy of such procedures periodically.

- Reviewing with the independent auditors and management the adequacy and effectiveness of the financial and accounting controls of the Company.

- Establishing procedures: (i) for receiving, handling and retaining of complaints received by the Company regarding accounting, internal controls, or auditing matters, and (ii) for employees to submit confidential anonymous concerns regarding questionable accounting or auditing matters.

- Reviewing with the independent auditors any audit problems or difficulties and management's response and resolving disagreements between management and the auditors and reviewing and discussing material written communications between management and the independent auditors, such as any management letter of schedule of unadjusted differences.

- Making inquires of management and the independent auditors to identify significant business, political, financial and control risks and exposures and assess the steps management has taken to minimize such risk to the Company.

- Making inquires of management and the independent auditors to identify significant business, political, financial, litigation and control risks and exposures and assess the steps management has taken to minimize such risk to the Company.

- Assessing the overall process for identifying principal business, political, financial, litigation and control risks and providing its views on the effectiveness of this process to the Board.

- Ensuring that the disclosure of the process followed by the Board of Directors and its committees, in the oversight of the Company's management of principal business risks, is complete and fairly presented.

- Obtaining reports from management, the Company's independent auditors that the Company is in conformity with legal requirements and the Company's Code of Business Conduct and Ethics and reviewing reports and disclosures of insider and affiliated party transactions.

- Discussing any earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.

- Ensuring adequate procedures are in place for review of the Company's disclosure of financial information and assess the adequacy of these procedures at least once per year.

- Reviewing of confirmation of compliance with the Company's policies on internal controls, conflicts of interests, ethics, foreign corrupt practice, etc.

- Ensuring that the Company's Annual Information Form and the Company's Management Information Circular contains the disclosure as required by law, including that required by NI 52-110.

- Reviewing with financial management and the independent auditor’s interim financial information, including interim financial statements, management discussion and analysis and financial press releases for the purpose of recommending approval by the Board of Directors prior to its release.

- At least annually obtaining and reviewing a report prepared by the independent 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) all relationships between the independent auditors and the Company (to assess auditors’ independence).

- Reviewing and approving hiring policies for employees or former employees of the past and present independent auditors.

- Reviewing disclosure by management in the event that management deviates from existing approved policies and procedures which disclosure must also must be contained in financial reporting sub-certification forms.

- Engaging independent counsel and other advisors, without seeking approval of the Board of Directors or management, if the Committee determines such advisors are necessary to assist the Committee in carrying out its duties and setting and paying for any counsel or advisors employed by the Audit Committee for such purpose. The Committee shall advise the Board of Directors and management of such engagement.

- Discussing with the Company's legal counsel legal matters that may have a material impact on the financial statements or of the Company's compliance policies and internal controls.

- Conducting special investigations, independent of the Board of Directors or management, relating to financial and non-financial related matters concerning the Company and/or any one or more of its directors, officers, employees, consultants and/or independent contractors, if determined by the Committee to be in the best interests of the Company and its Shareholders. The Committee shall advise the Board of Directors with respect to the initiations of such investigations and shall periodically report any findings such investigation to the Board of Directors.

- Reporting annually to the shareholders in the Company's Annual Information Form on the carrying out of its responsibilities under this charter and on other matters as required by applicable securities regulatory authorities.

MEETINGS

The Audit Committee will meet regularly at times necessary to perform the duties described above in a timely manner, but not less than four times a year and any time the Company proposes to issue a press release with its quarterly or annual earnings information. Meetings may be held at any time deemed appropriate by the Committee.

The Audit Committee shall meet periodically in separate executive sessions with management (including the Chief Financial Officer), the internal auditors and the independent auditor, and have such other direct and independent interaction with such persons from time to time as the members of the Audit Committee deem appropriate. The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

The independent auditors will have direct access to the Committee at their own initiative.

The Chairman of the Committee will report periodically the Committee's findings and recommendations to the Board of Directors.