



**Second Report of
KSV Kofman Inc.
as Receiver of
First Nickel Inc.**

January 15, 2016

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COURT FILE NO: CV-15-11082-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

BETWEEN:

RESOURCE CAPITAL FUND V L.P.

Applicant

and

FIRST NICKEL INC.

Respondent

**SECOND REPORT OF
KSV KOFMAN INC.
AS RECEIVER**

JANUARY 15, 2016

1.0 Introduction

1. This report ("Report") is filed by KSV Kofman Inc. ("KSV") in its capacity as receiver (the "Receiver") of the property, assets and undertaking of First Nickel Inc. (the "Company").
2. On August 20, 2015, Resource Capital Fund V L.P. ("RCF") brought an application seeking, *inter alia*, an order (the "Receivership Order") of the Ontario Superior Court of Justice (Commercial List) ("Court") appointing KSV as the Receiver. Copies of the Receivership Order and the Endorsement of the Honourable Justice Mew dated August 20, 2015 are attached as Appendix "A".
3. The primary purpose of these receivership proceedings has been to facilitate an orderly, Court-supervised realization process for the Company's business and assets.

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) Provide background information about the Company and these receivership proceedings;
 - b) Summarize the results of a sale process carried out by the Receiver for the Company's rights to exploration properties in Sudbury, Bancroft, Belmont Townships and Timmins, Ontario (collectively, the "Exploration Properties");
 - c) Summarize a transaction with Transition Metals Corp. (the "Purchaser") for the Exploration Properties (the "Recommended Transaction") pursuant to an Asset Purchase Agreement dated December 18, 2015 between the Receiver and the Purchaser (the "APA");
 - d) Set out the Receiver's recommendations regarding distributions to RCF and West Face Long Term Opportunities Global Master L.P. ("WFC") (the "Distributions");
 - e) Provide an overview of the Receiver's activities since the commencement of the receivership proceedings;
 - f) Recommend that the Receiver be discharged of its duties and obligations under the Receivership Order subject to filing a certificate with the Court confirming that all outstanding receivership matters have been completed (the "Discharge Certificate"); and
 - g) Recommend that this Honourable Court issue orders, *inter alia*:
 - i. approving the Recommended Transaction;
 - ii. authorizing the Receiver to execute the APA and all other ancillary documents and agreements required to complete the Recommended Transaction;
 - iii. vesting in the Purchaser the Company's right, title and interest in and to the Purchased Assets (as defined in the APA) free and clear of all liens, charges, security interests and other encumbrances;
 - iv. sealing the summary of offers and the unredacted version of the APA until further Court order;
 - v. authorizing the Receiver to make the Distributions to RCF and WFC and to make further distributions to RCF and WFC from the Holdback (as defined below) or additional recoveries (if any) without further Court order;

- vi. approving the Report of the Proposed Receiver dated August 19, 2015 (the "Report of the Proposed Receiver"), the Receiver's First Report dated September 3, 2015 (the "First Report"), this Report and the Receiver's activities described in each of them; and
- vii. discharging the Receiver upon the filing of the Discharge Certificate.

2.0 Background

1. The Company is a Canadian nickel mining and exploration company.
2. The Lockerby Mine is the Company's sole mine – it is an underground nickel mine located in the Sudbury Basin in Northern Ontario. The Company also has rights to the Exploration Properties. The Company leased its head office in Toronto, Ontario.
3. The Company's shares were listed on the Toronto Stock Exchange ("TSX") under the trading symbol "FNI". Effective September 25, 2015, the TSX delisted the Company's securities.
4. The Company produced nickel and copper bearing mineral ore. Its sole customer was Glencore Canada Corporation ("Glencore"), which it supplied pursuant to the Lockerby Ore Sale and Processing Agreement dated May 31, 2005, as amended.
5. As a result of the decline in nickel prices and the Company's significant production costs, the Lockerby Mine became uneconomic. The Company discontinued operations at the mine just prior to the commencement of the receivership.
6. Approximately 32 individuals continued working for the Company during these proceedings in order to assist with the disposition of the Company's assets and the orderly wind-down of the Lockerby Mine. The majority of these employees were terminated or permanently laid off during the week ended September 11, 2015. The former unionized employees were members of either the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (United Steelworkers Local 2020, Unit 64) or the Sudbury Mine, Mill & Smelter Workers Union (Local 598/Unifor) (jointly, the "Unions").
7. In 2012, the Company arranged a C\$5.9 million surety bond with ACE INA Insurance ("ACE") in respect of the Company's obligations under the closure plan for the Lockerby Mine. ACE's obligations were partially secured by cash collateral posted by the Company in the amount of approximately US\$2.4 million. The obligee under the bond is the Ministry of Northern Development and Mines ("MNDM").
8. The Company's principal secured lenders are RCF and WFC (jointly, "the Lenders"). As at the date of the receivership, RCF and WFC were owed, on a *pari passu* basis, approximately US\$15.7 million and US\$12.7 million, respectively, plus interest and costs, which continue to accrue. All of the Company's properties, assets and undertakings are encumbered in favour of the Lenders.
9. Further information concerning the Company was provided in the Report of the Proposed Receiver and the First Report, copies of which, without appendices, are attached as Appendices "B" and "C", respectively.

2.1 Abandonment of Lockerby Mine

1. Certain of the relief sought at the receivership application was deferred to August 31, 2015 (the "Comeback Hearing"), and subsequently adjourned until September 4, 2015, so that notice could be provided to the Company's stakeholders. On September 4, 2015, the Court issued an order (the "September 4th Order"), which, among other things, caused the Lockerby Mine to be, and to be deemed to be, abandoned. A copy of the September 4th Order is attached as Appendix "D".
2. There were extensive discussions among, *inter alia*, the Receiver, MNDM, ACE and their respective legal counsel regarding the abandonment of the Lockerby Mine and related transitional matters. These discussions resulted in the September 4th Order.
3. On September 11, 2015, pursuant to and in accordance with the terms of the September 4th Order, the Lockerby Mine was abandoned. Based on discussions with the MNDM, the Receiver understands that implementation of the closure plan is in progress.

2.2 Sale of Equipment

1. The mining equipment located at the Lockerby Mine (the "Mining Equipment") consisted of the Company's: (i) redundant equipment (i.e. equipment which was not used in the Company's operations); (ii) underground mine fleet; and (iii) other equipment and supplies.
2. As set out in the Report of the Proposed Receiver and the First Report, immediately following the commencement of the receivership, the Company and the Receiver worked together to solicit offers for the Mining Equipment on an expedited basis. A summary of the equipment sale process is as follows:
 - The process was intended to attract offers from operating mining companies, mining equipment resellers and liquidators. In total, approximately 20 parties were contacted by management and the Receiver, including parties that were contacted by the Company in June, 2015;
 - The deadline for offers was August 27, 2015 (5:00 p.m.), being one week after the issuance of the Receivership Order. The duration of the process was driven by the Company's high cost structure and the lack of funding available for a lengthy realization process;
 - Interested parties were provided with a detailed list of the Mining Equipment, including pictures, model numbers and other specifications. Parties were advised that offers for some or all of the Mining Equipment would be considered;
 - Interested parties were provided with an opportunity to inspect the Mining Equipment, including the underground fleet, from August 25 to 27, 2015. Tours were conducted by the Company's management and a representative of the Receiver was onsite during the tours; and
 - A form of offer was made available to prospective purchasers. Parties were requested to submit offers in, or substantially in, the form of offer.

3. As a result, in accordance with the Receivership Order, the Receiver sold Mining Equipment and other sundry assets that could be removed expediently from the mine, generating proceeds of approximately C\$499,000. As discussed in the First Report, some equipment had to be abandoned because the cost of removing it exceeded its realizable value.

2.3 Insurance Claim

1. Prior to the receivership proceedings (on August 2, 2015), there was an explosion approximately 6,700 feet underground at the Lockerby Mine. As a result, all mining operations at the Lockerby Mine ceased, causing the Company to suffer business interruption losses.
2. The Ontario Ministry of Labour ("MOL") was immediately advised of the explosion after it occurred. On August 3, 2015, MOL inspectors attended at the mine and ordered that all work at the mine be halted. On August 4, 10, and 11, 2015, the MOL issued a series of formal stop-work orders.
3. The Company incurred "Standing Charges" (as defined in its insurance policy) while its mining operations at the Lockerby Mine were suspended as a result of the explosion. These losses extended until September 11, 2015, on which date the Lockerby Mine was abandoned.
4. The Receiver worked with its legal counsel to quantify and file an insurance claim in respect of this incident. The claim was filed on October 29, 2015 in the amount of approximately \$325,000 (the "Insurance Claim"). The Insurance Claim is currently under review - the Receiver continues to facilitate information requests for the insurance adjuster.
5. The Receiver expects to hear back from the insurance company with its position on coverage within four to six weeks from the date of this Report.

3.0 Sale Process for the Exploration Properties

1. A sale process for the Exploration Properties ("Sale Process") was approved pursuant to the September 4th Order. The Receiver carried out the Sale Process in accordance with the September 4th Order as follows:
 - The Receiver compiled a list of over 100 prospective purchasers and distributed a brief interest solicitation letter ("Teaser") detailing this opportunity and a confidentiality agreement ("CA") to prospective purchasers;
 - Parties that executed a CA were provided access to an online data room maintained by the Receiver and an opportunity to attend at the Exploration Properties;
 - The Receiver's legal counsel prepared a form of offer, being an asset purchase agreement. Prospective purchasers were encouraged to submit offers in this format, or substantially in this format, and to provide a blackline to the template asset purchase agreement; and
 - Prospective Purchasers were required to submit offers by October 5, 2015 at 4:00 p.m. (Toronto time) (the "Offer Deadline").

3.1 Sale Process Results

1. The results of the Sale Process are summarized as follows:
 - Nine parties executed a CA;
 - Three offers were submitted to the Receiver on or prior to the Offer Deadline. Each of these offers was for one or two of the Exploration Properties. In each case, the value of the offers was nominal and was not acceptable to the Lenders. Each offer was rejected by the Receiver; and
 - Approximately one week following the Offer Deadline, the Purchaser submitted its offer, being a transaction for all of the Exploration Properties at a value that was acceptable to the Receiver, in consultation with the Lenders.
2. A summary of the offers is attached as Confidential Appendix “1”. The Receiver is proposing to file this analysis on a confidential basis in order to preserve the confidentiality of the value of the bids and the identity of the bidders.
3. Since mid-October, 2015, the Receiver and its legal counsel worked with the Purchaser and its legal counsel to facilitate final diligence items and to finalize the terms of the APA. The APA was finalized and executed by the Purchaser on December 18, 2015.
4. An unredacted version of the APA is attached as Confidential Appendix “2”. A redacted version is attached as Appendix “E”.

4.0 Recommended Transaction¹

1. The Purchaser is a publicly traded company, the shares of which are listed on the TSX Venture Exchange under the symbol “XTM”.
2. A summary of the Recommended Transaction is provided below:
 - Half of the Purchase Price is payable in cash and half in common shares of the Purchaser. The cash portion of the Purchase Price is to be paid to the Receiver on Closing (less a 15% deposit which has already been funded) and the Shares are to be issued on Closing;
 - The Shares will be subject to a statutory hold period of not more than four months and one day from the Closing Date;
 - The Purchased Assets include the unpatented mining claims for the four Exploration Properties, as well as Lockerby². The Purchased Assets are detailed in Schedule B to the APA;

¹ Capitalized terms in this section of the Report have the meanings ascribed to them in the APA.

² As detailed in this Report, the September 4th Order caused the Lockerby Mine to be, and to be deemed to be, abandoned by the Receiver.

- The Purchased Assets are being sold by the Receiver with standard, limited representations and warranties and generally on terms consistent with an insolvency transaction, i.e. on an “as is, where is” basis; and
- The only material conditions precedent to completing the Recommended Transaction are the Court’s issuance of the proposed Sale Approval and Vesting Order and the Purchaser having received the necessary regulatory approvals to issue the Consideration Shares. The Purchaser and its counsel have advised that this is in process and the requisite approval is expected once the Sale Approval and Vesting Order is issued and the Closing Date is known.

4.1 Recommendation

1. The Receiver recommends that the Court make an order approving the Recommended Transaction and vesting clean title in the Purchaser for the following reasons, among others:
 - In the Receiver’s view, the Sale Process was commercially reasonable and carried out in accordance with the process approved by the Court pursuant to the September 4th Order;
 - The Purchaser’s offer was the best offer generated by the Sale Process – it was the highest in value and the only offer that included all of the Exploration Properties;
 - The Lenders, being the only stakeholders with an economic interest in the Recommended Transaction, support the Recommended Transaction and reject each of the other offers received; and
 - Subject to obtaining the Sale Approval and Vesting Order, the Receiver believes the Recommended Transaction will close.
2. Based on the foregoing, the Receiver recommends that this Honourable Court issue an order authorizing and directing the Receiver to complete the Recommended Transaction as set out in the APA, as well as to execute any documents or agreements necessary to give effect to the Recommended Transaction.

4.2 Sealing

1. The Receiver recommends that the offer summary and the APA be filed with the Court on a confidential basis and remain sealed until a further Court order as the availability of this information to other parties may negatively impact any future offers for the Exploration Properties if the Recommended Transaction does not close for any reason. The Receiver does not believe that any stakeholder will be prejudiced if the information is sealed at this time.

5.0 Distributions to the Lenders

5.1 The Lenders

1. The Lenders are the Company’s principal secured creditors. As at the date of receivership, RCF and WFC were owed, on a *pari passu* basis, approximately US\$15.7 million and US\$12.7 million, respectively, plus interest and costs, which continue to accrue. All of the Company’s properties, assets and undertakings are encumbered in favour of the Lenders.

5.2 Security Opinion

1. Bennett Jones LLP ("Bennett Jones"), the Receiver's counsel, reviewed the security of RCF and WFC. Bennett Jones rendered a security opinion dated August 19, 2015³, which provides that, subject to the standard assumptions, qualifications and limitations contained therein, the Lenders hold a valid and perfected security interest in the Company's assets as set out in their respective security documents.

5.3 Proposed Distributions

1. There is presently approximately US\$1.065 million and C\$429,000 in the US and Canadian dollar receivership accounts, respectively. A copy of the Receiver's interim statement of receipts and disbursements for the period ended January 11, 2016 is attached as Appendix "F".
2. The Receiver proposes to distribute to RCF and WFC the proceeds of the Recommended Transaction plus further Distributions of US\$1.065 million and C\$200,000. Following these Distributions, approximately C\$229,000 would remain on deposit in the receivership accounts, representing the proposed Holdback (as defined and discussed in section 5.4 below).
3. The distributions will be made to RCF and WFC in such amounts as RCF and WFC may agree, or pursuant to further order of the Court.
4. The Receiver is not aware of any other secured creditors or any claim that ranks or may rank in priority to the Lenders other than the claims for which the Receiver intends to continue to hold funds. In this regard:
 - The Holdback is sufficient to cover the Receiver's fees and disbursements (including fees and disbursements of its legal counsel) required to complete the administration of the receivership until the discharge of the Receiver, which amount is secured by the Receiver's Charge (as defined in the Receivership Order);
 - Based on the Company's books and records, the Receiver is not aware of any deemed trust or priority claims for vacation pay and/or employee source deductions owing to the Federal or Provincial tax authorities relating to the pre-filing and/or post-filing periods. CRA has completed its payroll trust exam and has advised the Receiver that there are no outstanding deemed trust claims; and
 - The Company funded its HST obligation prior to the commencement of these proceedings and the Company's HST obligations for the post-filing period have been remitted by the Receiver.

³ A copy of the security opinion will be made available to the Court or other party upon request.

5.4 Holdback

1. The Receiver believes that it is appropriate to reserve approximately C\$229,000 ("Holdback"), which is expected to be sufficient to cover costs to completion, including post-filing expenses and professional fees.
2. The Receiver is proposing to distribute to the Lenders the surplus in the Holdback, if any, and any further recoveries in these proceedings without further Court order.

5.5 Recommendation

1. Based on the foregoing, the Receiver recommends that this Honourable Court issue an order authorizing the Receiver to make the Distributions to RCF and WFC and to make further distributions from the Holdback or otherwise up to the full amount of the Company's secured indebtedness owing to each of RCF and WFC without further Court order.

6.0 Overview of Receiver's Activities

1. The Receiver's activities since the commencement of these proceedings have included, *inter alia*, the following:
 - Reviewing and commenting on Court materials prepared by RCF's legal counsel in connection with the receivership application;
 - Drafting the Report of the Proposed Receiver, a supplemental report filed with the Court on a confidential basis and the First Report;
 - Dealing with management regarding various issues, including cash management issues and a communication strategy regarding these proceedings;
 - Attending at Court on August 20, 2015 for the receivership application hearing;
 - Corresponding extensively with Bennett Jones, the Lenders and their respective legal counsel throughout the proceedings regarding all receivership matters;
 - Corresponding extensively with management and prospective purchasers regarding the Company's equipment salvage plan;
 - Preparing the Notice and Statement of Receiver pursuant to Sections 245(1) and 246(2) of the *Bankruptcy and Insolvency Act* ("BIA");
 - Dealing with matters pertaining to the Unions and responding to various information requests from Union representatives and/or legal counsel to the Unions;
 - Corresponding extensively with the MNDM regarding the abandonment of the Lockerby Mine and coordinating transitional matters with MNDM;
 - Attending at the Lockerby Mine prior to its abandonment on September 11, 2015 in accordance with the September 4th Order;
 - Corresponding with Vale Canada Limited regarding its power consumption and payment of same;

- Reviewing materials prepared by RCF's legal counsel in connection with the September 4th Hearing and attending at Court on September 4, 2015 in connection with same;
- Carrying out the realization process for the Mining Equipment detailed in this Report;
- Reviewing offers received in connection with the sale of the Mining Equipment and corresponding with the Lenders regarding same;
- Arranging for the removal of the Mining Equipment sold pursuant to the equipment sale process;
- Dealing with matters pertaining to the use and payment of electricity at the Lockerby Mine, including dealing with the Independent Electricity System Operator ("IESO") on the release of security posted by the Company in favour of the IESO;
- Arranging to return equipment to various lessors;
- Carrying out the Sale Process in accordance with the September 4th Order, including preparing the Teaser, CA and buyer's list;
- Reviewing the offers generated by the Sale Process;
- Negotiating the Recommended Transaction with the Purchaser;
- Reviewing and commenting on multiple versions of a draft asset purchase agreement and sale approval and vesting order in connection with the Recommended Transaction;
- Dealing with matters pertaining to Glencore, including delivery of ore and collection of accounts receivable;
- Disclaiming the Company's head office lease effective September 30, 2015;
- Corresponding with Bennett Jones concerning the Insurance Claim;
- Filing a Proof of Loss in connection with the Insurance Claim;
- Responding to information requests submitted by the insurance adjuster regarding the Insurance Claim;
- Arranging for the preparation of ROEs and T4s for the former employees;
- Administering the Wage Earner Protection Program Act ("WEPP") claims process, including providing the required information to Service Canada and to the Company's former employees and Union representatives;

- Responding to WEPP enquiries from former employees, as well as corresponding with Service Canada;
- Corresponding with CRA regarding its trust exam;
- Arranging for the packing and storage of the Company's books and records;
- Drafting this Report; and
- Dealing generally with all receivership matters not specifically detailed herein.

7.0 Receiver's Discharge

1. Prior to completing its administration, the Receiver intends to:
 - Complete the Recommended Transaction, subject to Court approval;
 - Collect the final receivable owing from Glencore (approximately US\$65,000) which is due to be paid on or around January 15, 2016;
 - Pay the Distributions to RCF and WFC, from time to time, from the funds in the receivership accounts;
 - Pay any outstanding post-filing expenses;
 - Deal with any outstanding matters in connection with the Insurance Claim, including facilitating any further information requests submitted by the adjuster;
 - File the Receiver's interim and final reports as required under Section 246 of the BIA; and
 - Attend to any other matters not set out above in order to complete the Receiver's administration.
2. The Receiver is recommending that it be discharged upon the filing of the Discharge Certificate as, subject to completion of the Recommended Transaction, making the Distributions to RCF and WFC, paying any additional expenses from the Holdback and dealing with the sundry matters detailed above (including the Insurance Claim), its duties and responsibilities under the Receivership Order and other orders granted in these proceedings will have been completed. Dealing with the discharge in this manner will avoid the costs of a subsequent motion in these proceedings solely for the purpose of seeking the Receiver's discharge. The Receiver believes this is appropriate in these circumstances, particularly given the amount of the loss that RCF and WFC will incur. The Receiver intends to file the Discharge Certificate once all post-closing and sundry matters are dealt with.

8.0 Conclusion and Recommendation

1. Based on the foregoing, the Receiver respectfully recommends that this Honourable Court make orders granting the relief detailed in section 1.1(g) of this Report.

* * *

All of which is respectfully submitted,

A handwritten signature in black ink that reads "KSV Kofman Inc". The letters are cursive and fluid.

**KSV KOFMAN INC.
IN ITS CAPACITY AS RECEIVER OF
FIRST NICKEL INC.
AND NOT IN ITS PERSONAL CAPACITY**

RESOURCE CAPITAL FUND V L.P.
Applicant

V.

FIRST NICKEL INC.
Respondent

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**SECOND REPORT OF THE RECEIVER
JANUARY 15, 2016**

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Counsel to KSV Kofman Inc., the Receiver

Appendix “A”

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE MR
JUSTICE MEW

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THURSDAY, THE 20th DAY
OF AUGUST, 2015

RESOURCE CAPITAL FUND V L.P.

Applicant

- and -

FIRST NICKEL INC.

Respondent



**ORDER
(Appointing Receiver)**

THIS APPLICATION made by Recourse Capital Fund V L.P. (the "**Applicant**") for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "**CJA**") appointing KSV Kofman Inc. as receiver (in such capacities, the "**Receiver**") without security, of all of the assets, undertakings and properties of First Nickel Inc. (the "**Debtor**") acquired for, or used in relation to a business carried on by the Debtor, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Catherine J. Boggs sworn August 19, 2015 and the Exhibits thereto and the pre-filing report of KSV Kofman Inc. dated August 19, 2015 (the "**Pre-Filing Report**"), the confidential supplemental report of KSV Kofman Inc. dated August 19, 2015 (the "**Confidential Supplemental Report**") and on hearing the submissions of counsel for the Applicant, and KSV Kofman Inc., no one else appearing although the Respondent and West Face Long Term Opportunities Global Master L.P. ("**West Face**") were duly served as appears

from the affidavit of service of [NAME] sworn [DATE], and on reading the consent of KSV Kofman Inc. to act as the Receiver,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application is hereby abridged and validated so that this application is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 243(1) of the BIA and section 101 of the CJA, KSV Kofman Inc. is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (the “**Property**”).

RECEIVER’S POWERS

3. THIS COURT ORDERS that the Receiver is not authorized or permitted to operate or conduct the Debtor’s mining and exploration business; provided however, that the Receiver is authorized to cause the Debtor to take such steps as are necessary to protect, preserve and secure the Lockerby Mine (as defined in the Pre-Filing Report), including such steps as are discussed at Section 7 of the Pre-Filing Report.

4. THIS COURT ORDERS that, subject to paragraph 3 of this Order, the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security

personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;

- (c) to cease to perform any contracts of the Debtor;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
- (f) to settle, extend or compromise any indebtedness owing to the Debtor;
- (g) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (h) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (i) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (j) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,

- (i) without the approval of this Court in respect of any transaction not exceeding \$150,000, provided that the aggregate consideration for all such transactions does not exceed \$500,000; and
- (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act* or section 31 of the Ontario *Mortgages Act*, as the case may be, shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.

- (k) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (l) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (m) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (n) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
- (o) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;
- (p) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; and

- (q) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

5. THIS COURT ORDERS that (i) the Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "Persons" and each being a "Person") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

6. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "Records") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 6 or in paragraph 7 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

7. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give

unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

8. THIS COURT ORDERS that the Receiver shall provide each of the relevant landlords with notice of the Receiver's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Receiver's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Receiver, or by further Order of this Court upon application by the Receiver on at least two (2) days' notice to such landlord and any such secured creditors.

NO PROCEEDINGS AGAINST THE RECEIVER

9. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

10. THIS COURT ORDERS that no Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

11. THIS COURT ORDERS that all rights and remedies against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

12. THIS COURT ORDERS that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

13. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtor's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

14. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the “**Post Receivership Accounts**”) and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

15. THIS COURT ORDERS that all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor’s behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

PIPEDA

16. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a “**Sale**”). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all

material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

17. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, “**Possession**”) of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the “**Environmental Legislation**”), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver’s duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

18. THIS COURT ORDERS that the Receiver shall not be liable for any mine closure or environmental and land rehabilitation-related liabilities or obligations in respect of the Property, including as provided for in Part VII of the *Mining Act*, R.S.O. 1990, c. M. 14 or pursuant to any order or direction issued under the Environmental Legislation.

LIMITATION ON THE RECEIVER’S LIABILITY

19. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order

shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS

20. THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "Receiver's Charge") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a charge on the Property in priority to the security interests of the Applicant, West Face and any affiliates of the Applicant and West Face, but second in priority to all other security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any other Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

21. THIS COURT ORDERS that, if requested by the Court, the Applicant, West Face or any other interested party, the Receiver and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

22. THIS COURT ORDERS that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

SERVICE AND NOTICE

23. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall

constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 22 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: <http://www.ksvadvisory.com/insolvency-cases-2/filter/F>.

24. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery, electronic or facsimile transmission to the Debtor's creditors or other interested parties at their respective addresses as last shown on the records of the Debtor and that any such service or distribution by courier, personal delivery electronic or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

25. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

26. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

27. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

28. THIS COURT ORDERS that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located,

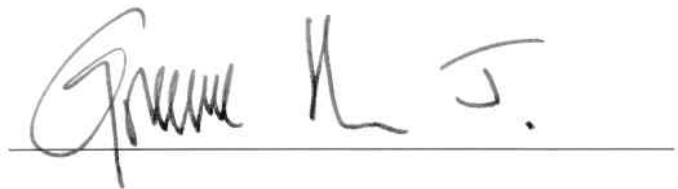
for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

29. THIS COURT ORDERS that the Applicant shall have its costs of this application, up to and including entry and service of this Order, provided for by the terms of the Applicant's security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

30. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

31. THIS COURT ORDERS that the Confidential Supplemental Report shall remain confidential and shall not form part of the permanent court record pending further order of this Court, made on notice to the Receiver and RCF.

32. THIS COURT ORDERS that the registrar of the Court is hereby directed to file the sealed Confidential Supplemental Report separate and apart from all other contents of the Court file in a sealed envelope attached to a notice that sets out the title of these proceedings, the aforementioned description of the documents contained therein, and a statement that the contents of the envelope are sealed pursuant to this Order.



ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

AUG 20 2015

NB

RESOURCE CAPITAL FUND V L.P.
Applicant

v.

FIRST NICKEL INC.
Respondent

Court File No.

CV-15-11082-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**ORDER
(Appointing Receiver)**

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Lawyers for the Applicant

RESOURCE CAPITAL FUND V L.P.
Applicant

V. FIRST NICKEL INC.
Respondent

Court File No.

20 August 2015

Christopher Burr and Linc A. Rogers for applicant
Sean Zwarg for the proposed receiver.

I am satisfied that the appointment of a receiver is appropriate in the circumstances described in the ~~application~~ ^{hearing} record and that the relief requested by the applicant should be granted in accordance with the terms of the draft order provided by counsel. I am also satisfied that it is appropriate to make a sealing order with respect to the Confidential Supplemental Report of KSV dated 20 August 2015, subject to the order of the court.

A comeback hearing is scheduled for 31 August 2015. Service of the application materials on the additional parties (listed in paragraph 43 of the factum of the applicant dated 19 August 2015) may be effected by email

pro

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

APPLICATION RECORD OF
RESOURCE CAPITAL FUND V L.P.
VOLUME I OF II
(Returnable August 20, 2015)

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Lawyers for the Applicant

2/

page of the application enclosed together with
a copy of my issued and entered order.

James R. J.
(MEXICO).

Appendix “B”



**Report of
KSV Kofman Inc.
as Proposed Receiver of
First Nickel Inc.**

August 19, 2015

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COURT FILE NO: CV-15-11082-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

BETWEEN:

RESOURCE CAPITAL FUND V L.P.

Applicant

and

FIRST NICKEL INC.

Respondent

REPORT OF
KSV KOFMAN INC.
AS PROPOSED RECEIVER

AUGUST 19, 2015

1.0 Introduction

1. Resource Capital Fund V L.P. ("RCF") and West Face Long Term Opportunities Global Master L.P. ("WFC") (jointly, the "Lenders") are secured creditors and shareholders of First Nickel Inc. (the "Company").
2. On the return date of this application, RCF is seeking an order ("Receivership Order"), among other things, appointing KSV Kofman Inc. ("KSV") as receiver of the Company's property, assets and undertaking pursuant to Subsection 243(1) of the *Bankruptcy and Insolvency Act* R.S.C. 1985, c. B-3, as amended ("BIA"), and Section 101 of the Courts of Justice Act R.S.O. 1990, c. C.43, as amended (if so appointed, KSV in such capacity is referred to herein as the "Receiver"). RCF is also requesting to come back to Court for a hearing (the "Comeback Hearing") prior to the end of August to request an order (the "Comeback Order") granting certain additional relief.
3. This report ("Report") is filed by KSV as proposed receiver (the "Proposed Receiver").
4. The primary purpose of these receivership proceedings is to facilitate a realization process for the Company's business and assets in an orderly Court-supervised process.

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) Provide certain background information about the Company;
 - b) Summarize the Company's pre-filing efforts to identify prospective purchasers for its sole mine, the Lockerby Mine, which is located in the Sudbury Basin in Northern Ontario ("Lockerby Mine"), as well as its mining equipment;
 - c) Detail the intended sale process for the Company's assets;
 - d) Set out the intended course of action for the Lockerby Mine, including the remaining activity required to be performed by the Company in accordance with workplan approvals to be obtained from the Ministry of Labour;
 - e) Summarize the opinion prepared by Bennett Jones LLP ("Bennett Jones"), the Proposed Receiver's legal counsel, on the security granted by the Company in favour of RCF and WFC;
 - f) Summarize the status of the Company's defined contribution pension plan registered with the Financial Services Commission of Ontario ("FSCO") (the "Pension Plan"); and
 - g) Recommend that this Honourable Court issue the Receivership Order.

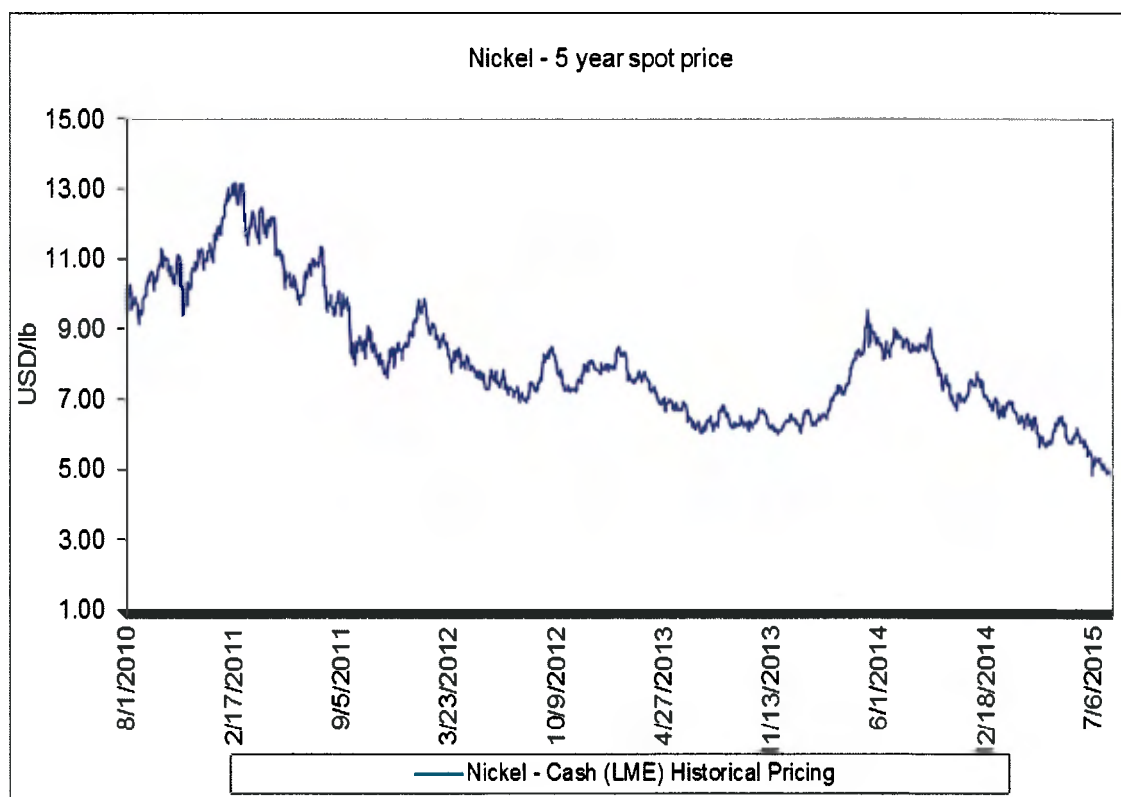
1.2 Restrictions

1. In preparing this Report, KSV has relied upon unaudited financial information prepared by the Company's management, the Company's books and records, discussions with the Company's management and its advisors, and discussions with the Lenders and their advisors. KSV has not performed an audit or other verification of such information. An examination of the Company's financial forecasts as outlined in the *Canadian Institute of Chartered Accountants Handbook* has not been performed. Future-oriented financial information relied upon in this Report is based on management's assumptions regarding future events; actual results achieved may vary from this information and these variations may be material.

2.0 Background

1. The Company is a Canadian nickel mining and exploration company.
2. The Company is publicly traded; its shares are listed on the Toronto Stock Exchange under the trading symbol "FNI". The Company leases its head office, which is located in Toronto, Ontario.
3. The Lockerby Mine is an underground mine. The majority of the Company's mining equipment is located at depths ranging from 4,800 feet to 6,000 feet.

4. The Company produces nickel and copper bearing mineral ore. Its principal customer is Glencore Canada Corporation ("Glencore"); the Company supplies Glencore pursuant to the Lockerby Ore Sale and Processing Agreement dated May 31, 2005, as amended.
5. The Company also has rights to exploration properties in Sudbury, Bancroft, Belmont Townships and Timmins (collectively, the "Exploration Properties").
6. As a result of the decline in nickel prices and the Company's significant production costs, the Lockerby Mine is no longer economic. The Company is discontinuing its mining operations following its night shift on August 19, 2015. A chart of Nickel prices (obtained from S&P Capital IQ) for the last five years is provided below.



7. The Company had approximately 93 active employees as at August 19, 2015, the date that operations are being discontinued. The Company's hourly workforce is unionized. Hourly employees are members of either the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (United Steelworkers Local 2020, Unit 64) or the Sudbury Mine, Mill & Smelter Workers Union (Local 598/Unifor) (jointly, the "Unions").
8. Following the lay-offs that are expected to occur after the discontinuation of mining operations, the Company will employ 32 individuals, including 21 unionized employees. These employees are being retained by the Company to assist with the disposition of some or all of the Company's business and assets, and the orderly wind-down of any portion of the business and assets which are not saleable, including potentially the Lockerby Mine.

9. The Lockerby Mine is subject to a closure plan (the "Closure Plan"). In 2012, the Company arranged a CAD\$5.9 million surety bond with ACE INA Insurance ("ACE") in respect of the Company's obligations under the Closure Plan (the "Rehabilitation Process"). ACE's obligations are partially secured by cash collateral posted by the Company in the amount of approximately US\$2.4 million. The obligee under the bond is the Minister of Northern Development and Mines ("MNDM").
10. Further information concerning the Company is provided in the affidavit of Catherine Boggs, the Vice President and General Counsel of RCF Management L.L.C., the ultimate general partner that provides management services to RCF (the "Affidavit"). In order to avoid duplication, it has not been repeated herein. This Report is intended to be read in conjunction with the Affidavit.

3.0 The Lenders

1. Each of RCF and WFC is a lender pursuant to the loan agreements and other loan and security documents detailed in the Affidavit. As at the date of this Report, RCF and WFC were owed approximately US\$15.7 million and US\$12.67 million, respectively, plus interest and costs which continue to accrue.
2. The Lenders are expected to incur a substantial shortfall on their advances to the Company.
3. On August 19, 2015, RCF demanded repayment of its loan and issued a Notice of Intention to Enforce Security pursuant to the BIA. On August 19, 2015, the Company waived the statutory 10 day notice period and consented to the appointment of KSV as Receiver.
4. KSV has retained Bennett Jones to act as its independent counsel should the Court issue the Receivership Order and appoint KSV as Receiver. In advance of these proceedings, Bennett Jones provided KSV with a security opinion that the Lenders have validly perfected security interests in the Company's assets as set out in the security documents, subject to standard assumptions and qualifications. A copy of the opinion will be provided to the Court upon request and any interested party requesting a copy of same who confirms certain matters to the Receiver, including matters relating to privilege, reliance, liability to such party and disclosure.

4.0 Proposed Realization Process

1. KSV understands that the Company's pre-filing efforts to realize on certain of its mining equipment can be summarized as follows:
 - In June, 2015, the Company prepared and sent bid packages for its redundant equipment (i.e. those items that were not in use at that time) to five parties in the region which engage in the reselling of mining equipment;
 - Two bids were received for certain pieces of equipment;
 - The Company did not complete a transaction for the equipment at that time. It remains in communication with the bidders; and
 - The Lenders were supportive of the Company's sale process and were kept apprised of the Company's bid solicitation process, including the results thereof.

2. The Company's higher value mining equipment is its underground mobile fleet. Given that the Company was still operational at the time it solicited initial bids, it did not solicit bids for its mobile fleet.
3. The realization process needs to be completed very expediently. Urgency is driven by the Company's high cost structure and the lack of funding available for a lengthy realization process. In its present, non-operating state, the Company is projected to incur costs of approximately CAD\$800,000 per month, including professional fees.
4. Based on the foregoing, the Proposed Receiver, with the assistance of the Company's management team, intends to immediately solicit equipment bids from the parties that were approached by the Company and from additional prospective purchasers that the Company and the Proposed Receiver consider appropriate.
5. Potential bidders will be provided with a form of bidding document and requested to submit bids to the Proposed Receiver on or before August 27, 2015.
6. The value of the bids received on the equipment will determine the next steps in these proceedings. In consultation with the Lenders, the Proposed Receiver will be routinely considering the economics of continuing the realization process based on the expected recoveries versus the costs of the realization process, including maintenance costs. If and when the Proposed Receiver, in consultation with the Lenders, determines that the expected recoveries do not justify the related costs, the realization process will be discontinued.
7. Contemporaneous with the equipment sale process, the Proposed Receiver will consider any offers received for the Lockerby Mine. The timeframe to sell the Lockerby Mine will be driven by the economics of the equipment sale process. If no buyer emerges for the Lockerby Mine, the Proposed Receiver will turn the Lockerby Mine over to MNMD so MNMD can commence the Rehabilitation Process. The Proposed Receiver intends to contact ACE and MNMD at the outset of the proceedings to discuss timing, logistics and other matters related to the Rehabilitation Process.
8. As set out in the Affidavit, over the past year, the Company had been in discussions with prospective purchasers for the Lockerby Mine and maintained a data room to facilitate diligence. The Company's management has advised the Proposed Receiver that it is of the view that it is highly remote that a buyer will be identified for the Lockerby Mine. The Lenders concur with this view.

4.1 Exploration Properties Sale Process

1. Subject to Court approval to be requested at the Comeback Hearing, the Proposed Receiver intends to carry out the following sale process for the Exploration Properties:
 - a) It will compile a listing of prospective purchasers, which will include additional parties, if any, identified by the Company's management and the Lenders.
 - b) It will distribute to prospective purchasers a brief interest solicitation letter detailing this opportunity and relevant provisions of this sale process, including key milestones. Attached to the interest solicitation letter will be a confidentiality agreement ("CA"). Should a party be interested in performing due diligence, it would first be required to execute a CA.

- c) Prospective purchasers will have the opportunity to perform diligence, including the opportunity to review information in an online data room to be set up and maintained by the Receiver, with the assistance of the Company.
- d) The Proposed Receiver is of the view that the information necessary to submit a bid for the Exploration Properties will either be in the data room or available in the Company's publicly available information. A confidential information memorandum will not be prepared. The Proposed Receiver does not consider it necessary to incur the time and cost associated with preparing a confidential information memorandum.
- e) The Receiver will work with legal counsel to prepare a draft form of asset purchase agreement ("APA"). Prospective purchasers will be encouraged to submit offers in this format or substantially in this format, with any changes redlined against the original APA. The APA will also be made available in the data room.
- f) All offers will be subject to Court approval, and must not be contingent on financing or uncompleted due diligence.
- g) The bidding deadline shall be 30 days from the commencement of the sale process (unless the 30th day falls on a day that is not a business day, in which case it shall be the next business day). The Receiver will have the discretion to extend this deadline for an additional 30 days if it believes it is warranted in light of the level of interest and activity expressed by potential purchasers.
- h) The Receiver will not be required to accept the highest offer, or any offer, and will advise prospective purchasers that any transaction is subject to Court approval.
- i) The Receiver shall be entitled to have clarifying discussions with bidders regarding their bids after the bid deadline, and review and consider revised clarifying bids, provided the initial bid was submitted prior to the bid deadline.
- j) The Receiver shall be entitled to accept a single offer for all Exploration Properties, or multiple non-overlapping offers.
- k) Once an offer is accepted, the Receiver will, as soon as practical, seek Court approval of such offers.
- l) In assessing whether to accept an offer, the Receiver may consider such factors as it considers necessary and appropriate, including purchase price, cash payable on closing, conditions to closing, time to closing and the financial wherewithal of the purchaser to consummate the transaction within a reasonable time.
- m) If the proceeds of the offers received are not, in the aggregate, sufficient to pay the Lenders' claims against the Company in full, on closing, acceptance of the offers by the Receiver will be conditional on consent by both Lenders. Should no acceptable offers be received by the bid deadline (as may be extended), the Lenders reserve the right to seek to exercise remedies available to them as secured creditors.
- n) Further extensions beyond 30 days of the bid deadline and other reasonable modifications and amendments may be made by the Receiver with the consent of the Lenders, other than the requirement to obtain approval for any contemplated transaction.

5.0 Pension Plan

1. The Pension Plan is registered in Ontario and had 231 active members as at December 31, 2014.
2. Contributions to the Pension Plan are paid monthly in arrears based on wages paid in the prior month. The Company has made its August pension contribution. According to the Company's books and records, the Company's next scheduled payment is to be made in the last week of September, calculated based on wages paid in August, 2015. The Company estimates that the September contribution to the Pension Plan will be approximately CAD\$13,000.
3. KSV, Bennett Jones and the Lenders' legal counsel are in the process of reviewing issues related to the Pension Plan. If the Receiver is appointed, at the Comeback Hearing, RCF intends to seek an Order on notice to FSCO which will, *inter alia*, authorize the basis on which ongoing contributions to the Pension Plan will be funded during the Receivership Proceedings.

6.0 Comeback Hearing

1. At the initial hearing of this application, RCF is seeking only the granting of the Receivership Order, including the appointment of the Proposed Receiver (including the protections against liability for closure of the Lockerby Mine, described below), the corresponding stay of proceedings and other customary relief provided for in the model Ontario receivership order.
2. Should the Receivership Order be granted, RCF intends to re-attend at the Comeback Hearing on notice to the parties listed below, to seek the following relief:
 - Approval of the sale process described above for the Exploration Properties and, potentially, an equipment sale transaction(s) resulting from the bids to be received on August 27, 2015;
 - Authority for the Receiver to cause the Company to make the pension contributions in the normal course to the Pension Plan and related relief;
 - Authority for the Receiver to turnover the Lockerby Mine to MNMD so that MNMD can conduct the Rehabilitation Process;
 - Authority for the Receiver to establish a reserve for anticipated harmonized sales tax payments, and to cause the Company to pay harmonized sales tax from such reserve as and when such amounts are due and owing; and
 - Such other relief as RCF may consider necessary or appropriate to seek at such time.
3. The Proposed Receiver understands that the relief sought by RCF at the Comeback Hearing will be on notice to WFC, the Unions, MNMD, ACE, the Ministry of Labour, the Ministry of Environment, FSCO, Glencore, Canada Revenue Agency, the chief and council of the Atikameksheng Anishnawbek First Nation, and the other secured creditors registered against the Company's property.

7.0 Planned Activity at the Lockerby Mine

1. Based on the Proposed Receiver's discussions with the Company's mine management team, there is certain activity, including underground blasting, that will need to be undertaken at the Lockerby Mine for a short period of time after the anticipated receivership date. The Proposed Receiver understands this is a common procedure and this blasting is necessary in order to preserve the safety of the Lockerby Mine.
2. Unless the Lockerby Mine has already been turned over to MNDM, the scope of work to be performed by the Company is in an area of the Lockerby Mine known as "67-3E". The activities include inspecting, cleaning and clearing hazardous materials from that area. The process will also include the detonation of certain explosive materials.
3. The Company has retained the employees that are most familiar with and qualified to perform this scope of work. There are certain Ministry of Labour approvals that are required at various stages of this planned activity. The Company's initial workplan has been submitted to the Ministry of Labour. The planned activity will not commence until the requisite approvals are obtained from the Ministry of Labour.
4. Based on the foregoing, the Receivership Order includes a provision authorizing the Receiver to cause the Company to perform this work at the Lockerby Mine.

8.0 Protection for Receiver for certain Environmental Liabilities

1. The Proposed Receiver is requesting that the Receivership Order include the following provision:

THIS COURT ORDERS that the Receiver shall not be liable for any mine closure or environmental and land rehabilitation-related liabilities or obligations in respect of the Property, including as provided for in Part VII of the Mining Act, R.S.O. 1990, c. M. 14 or pursuant to any order or direction issued under the Environmental Legislation.
2. As discussed above and in the Affidavit, the Company has various obligations under the Closure Plan. The Proposed Receiver understands that the Company and certain other parties may have additional obligations under the Mining Act, R.S.O. 1990, c. M. 14.
3. It is the Proposed Receiver's expectation that the Rehabilitation Process will commence by MNDM shortly following the commencement of these proceedings, unless a buyer emerges for the Lockerby Mine. The Proposed Receiver, if appointed, intends to assist in facilitating the Rehabilitation Process with the Company, ACE and the MNDM; however, the Proposed Receiver does not intend to execute any aspect of the Rehabilitation Process itself. RCF is seeking express authority for the Receiver to turn over the Lockerby Mine to MNDM for this purpose. The Proposed Receiver supports this relief.
4. Accordingly, the Proposed Receiver is seeking confirmation from the Court that it will not be liable for any environmental rehabilitation-related liabilities in respect of the Company's assets. If the Receivership Order is granted, the MNDM will forthwith receive a copy of it, as described above.

9.0 Conclusion and Recommendation

1. Based on the foregoing, the Proposed Receiver respectfully recommends that this Honourable Court make an Order granting the Receivership Order.

* * *

All of which is respectfully submitted,

A handwritten signature in cursive script that reads "KSV Kofman Inc".

KSV KOFMAN INC.
IN ITS CAPACITY AS PROPOSED RECEIVER OF
FIRST NICKEL INC.
AND NOT IN ITS PERSONAL CAPACITY

Court File No. CV-15-11682-QCCL

RESOURCE CAPITAL FUND V L.P.

V.

FIRST NICKEL INC.
Respondent

Applicant

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

REPORT OF THE PROPOSED RECEIVER
AUGUST 19, 2015

BENNETT JONES LLP
3400 One First Canadian Place
Toronto, Ontario M5X 1A4

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Counsel to KSV Kofman Inc., the Proposed
Receiver

Appendix “C”



**First Report of
KSV Kofman Inc.
as Receiver of
First Nickel Inc.**

September 3, 2015

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COURT FILE NO: CV-15-11082-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

BETWEEN:

RESOURCE CAPITAL FUND V L.P.

Applicant

and

FIRST NICKEL INC.

Respondent

**FIRST REPORT OF
KSV KOFMAN INC.
AS RECEIVER**

SEPTEMBER 3, 2015

1.0 Introduction

1. This report ("Report") is filed by KSV Kofman Inc. ("KSV") in its capacity as receiver (the "Receiver") of the property, assets and undertaking of First Nickel Inc. (the "Company").
2. On August 20, 2015, Resource Capital Fund V L.P. ("RCF") brought an application seeking an order (the "Receivership Order") of the Ontario Superior Court of Justice (Commercial List) ("Court") appointing KSV as the Receiver. Copies of the Receivership Order and the Endorsement of the Honourable Justice Mew dated August 20, 2015 are attached as Appendix "A".
3. Certain of the relief sought at the receivership application was deferred to August 31, 2015 (the "Comeback Hearing") so that notice could be provided to the Company's stakeholders that might be affected by the relief sought. As discussed below, on August 31, 2015, the Comeback Hearing was adjourned until September 4, 2015.
4. The primary purpose of these receivership proceedings is to facilitate a realization process for the Company's business and assets in an orderly, Court-supervised process.

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide background information about the Company and its receivership proceedings;
 - b) summarize a sale process ("Equipment Sale Process") carried out for the Company's mining equipment located at the Lockerby Mine (the "Mining Equipment");
 - c) summarize the Receiver's communications with the Ministry of Northern Development and Mines ("MNDM") since the commencement of these proceedings;
 - d) summarize the Receiver's intended next steps in these proceedings;
 - e) summarize the activities carried out by the Company at the Lockerby Mine since the commencement of the receivership proceedings;
 - f) provide information with respect to the Company's defined contribution pension plan (the "Pension Plan") registered with the Financial Services Commission of Ontario ("FSCO"); and
 - g) recommend that this Honourable Court issue an order:
 - i. authorizing the Receiver to abandon the Lockerby Mine;
 - ii. approving the sale process for the Exploration Properties (as defined below), as outlined in the Proposed Receiver's Report to Court dated August 19, 2015 (the "Proposed Receiver's Report");
 - iii. authorizing the Receiver to cause the Company to continue to: (a) make ordinary course payments to the Pension Plan; and (b) perform its duties as administrator of the Pension Plan; and
 - iv. authorizing the Receiver to pay any unremitted Harmonized Sales Tax ("HST") owing as at the date of the Receivership Order to Canada Revenue Agency ("CRA").

2.0 Background

1. The Company is a Canadian nickel mining and exploration company.
2. The Company's shares are listed on the Toronto Stock Exchange ("TSX") under the trading symbol "FNI". On August 26, 2015, the TSX determined to delist the Company's securities effective September 25, 2015. Trading in the Company's securities will remain suspended until that date.

3. The Company leases its head office in Toronto, Ontario.
4. Lockerby is the Company's sole mine. The Lockerby Mine is an underground mine located in the Sudbury Basin in Northern Ontario. The Company also has rights to exploration properties in Sudbury, Bancroft, Belmont Townships and Timmins (collectively, the "Exploration Properties").
5. The Company produces nickel and copper bearing mineral ore. Its principal customer is Glencore Canada Corporation ("Glencore"), which it supplies pursuant to the Lockerby Ore Sale and Processing Agreement dated May 31, 2005, as amended (the "Glencore Agreement"). As at the date hereof, amounts remain owing to the Company by Glencore under the Glencore Agreement.
6. As a result of the decline in nickel prices and the Company's significant production costs, the Lockerby Mine is no longer economic. The Company discontinued operations at the mine just prior to the receivership.
7. The weekly costs to operate the Lockerby Mine during the receivership proceedings are approximately \$200,000, excluding professional fees.
8. All of the Company's properties, assets and undertakings are encumbered in favour of the Lenders (as defined below), and there is no lending facility in place to fund these proceedings. The Company currently has a cash balance of less than \$900,000, before accrued operating and professional costs, which substantially eliminate the cash on hand; future asset recoveries are uncertain.
9. Since the commencement of the receivership, 32 individuals, including 19 unionized employees and 13 salaried employees, have continued to work for the Company to assist with the disposition of the Company's business and assets, and the orderly wind-down of the Lockerby Mine. Unionized employees are members of either the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (United Steelworkers Local 2020, Unit 64) or the Sudbury Mine, Mill & Smelter Workers Union (Local 598/Unifor) (jointly, the "Unions").
10. There is a closure plan for the Lockerby Mine (the "Closure Plan"). In connection with a contemplated amendment to the Closure Plan, consultation was required with a nearby First Nation. The Receiver understands that a Company representative met with the First Nation on August 20, 2015. In 2012, the Company arranged a CAD\$5.9 million surety bond with ACE INA Insurance ("ACE") in respect of the Company's obligations under the Closure Plan (the "Rehabilitation Process"). ACE's obligations are partially secured by cash collateral posted by the Company in the amount of approximately US\$2.4 million. The obligee under the bond is the MNM.
11. The Company's principal secured lenders are RCF and West Face Long Term Opportunities Global Master L.P. ("WFC") (jointly, "the Lenders"). As at the date of the receivership, RCF and WFC were owed approximately US\$15.7 million and US\$12.67 million, respectively, plus interest and costs, which continue to accrue.
12. Further information concerning the Company was provided in the Proposed Receiver's Report, a copy of which is attached as Appendix "B", and in RCF's application materials (the "Application Materials"), which are available on the Receiver's website at: <http://www.ksvadvisory.com/insolvency-cases-2/first-nickel-inc/>.

3.0 Equipment Sale Process

1. The Mining Equipment consists of the Company's: (i) redundant equipment (i.e. equipment which was not used in the Company's operations); (ii) underground mine fleet; and (iii) other equipment and supplies.
2. In June, 2015, the Company commenced a sale process for its redundant equipment. The Company solicited bids from five parties which engage in the reselling of mining equipment. Two offers were received; however, a transaction was not completed.
3. Prior to these proceedings, the Company's management believed that its underground mine fleet had more value than its other equipment. There are, however, significant costs and complexities related to the sale of this equipment, as it needs to be brought from its present underground location to the surface on a timely basis in order to be saleable, or a purchaser needs to disassemble it underground and bring it to surface. Under this latter approach, costs borne by a buyer would be factored into the value of the offers for this equipment.
4. As was set out in the Proposed Receiver's Report and the Application Materials, immediately following the commencement of the receivership, the Company and the Receiver worked together to solicit offers for the Mining Equipment on an expedited basis. A summary of the Equipment Sale Process is as follows:
 - Offers were solicited from mining companies, mining equipment resellers and liquidators, generally within close proximity to the Lockerby Mine. In total, 20 parties were contacted by management and the Receiver, including the five parties that were contacted by the Company in June, 2015.
 - The deadline for offers was August 27, 2015. The expedited realization process was driven by the Company's high cost structure and its illiquidity.
 - Interested parties were provided with a detailed list of the Mining Equipment, including pictures, model numbers and other specifications. Parties were advised that offers for some or all of the Mining Equipment would be considered.
 - Interested parties were provided with an opportunity to inspect the Mining Equipment from August 25 to 27, 2015, and nine parties did so. Tours were conducted by the Company's management and a representative of the Receiver who was onsite during the tours.
 - A form of offer was made available to prospective purchasers. Prospective purchasers were encouraged to submit offers in, or substantially in, the form of offer provided.

3.1 Sale Process Results

1. Six offers were received for the Mining Equipment. The sum of the highest offers total approximately \$600,000. The Company's management estimates that it would take at least eight weeks to complete all of the transactions. As operating costs at the Lockerby Mine total approximately \$200,000 per week (i.e. \$1.6 million over 8 weeks), it is clearly uneconomic to complete all of the transactions.

2. Rather, the Receiver intends to sell certain pieces of the Mining Equipment which can be removed expediently from the mine. The transactions are expected to generate proceeds of approximately \$150,000 in the aggregate; however all transactions are to close no later than September 4, 2015. If they do not, recoveries will be lower. The value of the transactions (both individually and in the aggregate) will not exceed the thresholds which would require the Receiver to seek the Court's approval of these transactions, and accordingly the Receiver is not seeking Court approval of the transactions. The Receiver has obtained the consent of the Lenders to the transactions. The Lenders are the only parties with an economic interest in the transactions.
3. The Receiver also provided the MNDM with a list of the Mining Equipment that it intends to sell, and the Receiver has not received any objections with respect thereto.

4.0 The MNDM and the Lockerby Mine

1. The MNDM was served with the Application Materials and the Proposed Receiver's Report on August 21, 2015. The materials highlight the possibility that if the Equipment Sale Process did not generate satisfactory results, the Receiver intended to turnover the mine to MNDM very quickly.
2. The Receiver contacted the MNDM immediately following its appointment. The Company, the Receiver and the MNDM have been in frequent communication since the commencement of these proceedings, a summary of which is as follows:
 - On August 20, 2015, the Company submitted to the MNDM a Notice of Project Status under the Mining Act, a copy of which is attached as Appendix "C". The purpose of the notice was to change the status of the Lockerby Mine from "Mine Production and Development" to "Temporary Suspension".
 - On August 21, 2015, a conference call was convened so that the Receiver could provide the MNDM with an overview of the receivership, the intended course of action vis-à-vis the sale of the Mining Equipment and the possibility that if the Equipment Sale Process results were unsatisfactory, the Receiver intended to turnover the Lockerby Mine to the MNDM.
 - On August 21, 2015, the MNDM responded to the Company's Notice of Project Status. A copy of the MNDM's letter is attached as Appendix "D". The MNDM's letter included the following comment: *"Rehabilitation should proceed as per the filed Closure Plan for the Lockerby Mine"*.
 - On August 25, 2015, the Receiver sent a letter to the MNDM, a copy of which is attached as Appendix "E". The purpose of the Receiver's response was to clarify that *"If no buyer emerges for the Lockerby Mine, the Company and the Receiver intend to turn the Lockerby Mine over to the MNDM so that the MNDM can commence the rehabilitation process. Neither the Company nor the Receiver will be implementing the Closure Plan"*.
 - On August 25, 2015, representatives of the MNDM attended at the Lockerby Mine to tour the site, gather data and request other information on the Lockerby Mine, including copies of permits, contracts, compliance reports and certifications. The Company is presently accumulating and providing this information to the MNDM.

- On August 26, 2015, the MNDM contacted RCF's legal counsel to advise that it required several weeks to settle the language of the proposed Order regarding the turnover of the Lockerby Mine to the MNDM. The MNDM, RCF and the Receiver subsequently agreed to adjourn the Comeback Hearing to September 4, 2015 to allow for further discussions with the MNDM.
- On August 28, 2015, the MNDM sent a letter to the Receiver stating, among other things, that the Receiver should not sell any equipment or other assets that the MNDM requires for the ongoing maintenance of the site, or its ultimate rehabilitation. A copy of this letter is attached as Appendix "F".
- On August 31, 2015, the Receiver sent a letter to the MNDM advising that, among other things, the MNDM should forthwith identify any assets it requires as the Receiver has not and cannot provide the MNDM with any assurances as to which assets will be available when the Lockerby Mine is turned over to the MNDM. A copy this letter is attached as Appendix "G".
- On September 1, 2015, the Receiver and its counsel participated in a call with the MNDM, its counsel, and counsel to RCF, to discuss the Comeback Hearing, and in particular the language in the proposed Order with respect to the abandonment of the Lockerby Mine. The MNDM was again advised that the Receiver intends to abandon the property on September 4, 2015.

4.1 Recommendation regarding the Lockerby Mine

1. For the following reasons, the Receiver believes it is appropriate to complete a small number of sales of Mining Equipment and then, subject to Court approval, abandon the Lockerby Mine on September 4, 2015 so the Lockerby Mine can be closed and rehabilitated by the MNDM:
 - but for a few transactions that can be completed this week, the expected proceeds from selling additional Mining Equipment are less than the costs to continue to operate the Lockerby Mine;
 - the Company is without funding – all of the assets (cash, equipment and accounts receivable) are encumbered by the Lenders. The cash on hand is being used to fund operating costs and professional fees. The current cost to operate the Lockerby Mine (excluding professional fees) is approximately \$200,000 per week. Most of the funds on hand will be used to pay accrued operating and professional costs. Future recoveries are uncertain;
 - the Company undertook efforts to refinance and/or sell its business. As detailed in the Affidavit of Catherine J. Boggs sworn August 19, 2015 (the "Affidavit"), these efforts were unsuccessful;
 - the Proposed Receiver's Report indicated that the Receiver did not intend to commence a sale process for the Lockerby Mine but that it would consider opportunities that came forward while the Mining Equipment was marketed for sale. No party has contacted the Receiver expressing an interest in the Lockerby Mine; and

- the Lenders will incur a significant shortfall on their advances to the Company. Their collateral is not available to fund the Rehabilitation Process, for which a bond is in place.
2. The Receiver has advised the MNDM and ACE that it is prepared to not abandon the Lockerby Mine provided that appropriate funding is in place to cover the operating costs and professional costs associated with the Lockerby Mine.

4.2 IESO

1. On August 26, 2015, the Receiver's counsel was contacted by counsel to the Independent Electricity System Operator ("IESO"), which supplies electricity to the Company.
2. As set out in the Application Materials, as of March 12, 2015, there was an outstanding letter of credit in favour of IESO in the amount of approximately \$436,000. Since the date of the Receivership Order, the Receiver has also discovered that FNI has pledged treasury bills in the amount of \$105,000 in favour of IESO. Accordingly, IESO has security in the approximate amount of \$541,000.
3. According to estimates provided to the Receiver's counsel by counsel to IESO (which estimates have not been verified or confirmed by the Receiver or the Company):
 - a) the Company owes IESO approximately \$219,000 in respect of charges incurred prior to the date of the Receivership Order (the "Pre-Filing IESO Charges");
 - b) the Company owes IESO approximately \$152,000 in respect of charges incurred from the date of the Receivership Order until August 31, 2015 (the "Post-Filing IESO Charges"), which amount continues to accrue.
4. IESO has requested that the Receiver make payment to IESO in respect of the Post-Filing IESO Charges. However, to date, this amount has not been paid given, among other reasons, that (a) IESO appears to have sufficient security in respect of both the Pre-Filing IESO Charges and the Post-Filing IESO Charges, and (b) as discussed, the Receiver intends to abandon the Lockerby Mine on September 4, 2015.
5. The Company and Vale Canada Limited ("Vale") are parties to a Power Allocation Agreement made as of 12th day of August, 2014, whereby, among other things, the Company agreed to allow Vale to access electrical power from the Company's breaker, and Vale agreed to pay the Company for providing such access. The Receiver has been advised by counsel to Vale that there could be significant consequences, including safety issues, for Vale if it loses access to the Company's electrical power without sufficient notice. The Receiver has advised Vale that it intends to abandon the Lockerby Mine on September 4, 2015.
6. On September 2, 2015, counsel to the Receiver wrote a letter to counsel for IESO, copying counsel for the MNDM, ACE and Vale, advising that, subject to obtaining the Court's authorization to abandon the Lockerby Mine, the Receiver intends to do so on September 4, 2015. The Receiver's counsel advised that neither the Receiver nor the Company intended to be liable for any charges incurred following the abandonment, and encouraged the recipients of the letter to arrange a call on an urgent basis to discuss electricity requirements at the Lockerby Mine following the abandonment. The Receiver offered to facilitate, and participate in, such a call, which was subsequently scheduled for September 3, 2015.

5.0 Activity at the Lockerby Mine

1. As set out in the Proposed Receiver's Report, the Company planned to complete certain work at the Lockerby Mine in order to address the safety of the mine during the receivership period. The Company retained those employees who it believed to be the most qualified to perform this work.
2. The work consists of two phases: (i) the inspection, cleaning and clearing of hazardous materials ("Phase 1"); and (ii) dealing with explosive materials that remain in the mine ("Phase 2"). Prior to commencing each phase, approval from the Ministry of Labour (Ontario) ("MOL") must be obtained.
3. On August 20, 2015, the Company received approval from the MOL to commence Phase 1. The Company expects to complete the Phase 1 work imminently. On September 1, 2015, the MOL advised the Company that MOL's preferred approach to dealing with the explosive materials is to permanently barricade off the area in which the explosives are located, but not to blast the explosives. The Company is preparing a Phase 2 work plan, which it intends to submit to the MOL shortly. The Company advises that it can complete the Phase 2 work within a couple of weeks of receiving MOL approval of its Phase 2 work plan. The MOL and MNDM will be required to address this issue after the abandonment.

6.0 Other Relief Sought

6.1 Pension Plan

1. The Proposed Receiver's Report and the Affidavit included information regarding the Pension Plan. At that time, the Receiver had received limited information or documentation with respect to the Pension Plan.
2. Since the making of the Receivership Order, certain of the Pension Plan documents have been provided to the Receiver. The Receiver and its counsel have reviewed the Pension Plan documents provided and certain relevant books and records, including statements from Great West Life ("GWL"), to whom Pension Plan contributions are paid on a monthly basis. Based on the Receiver's review of the documentation:
 - the Company is the administrator of the Pension Plan; and
 - the Company's books and records indicate that the Company is current on its contributions to the Pension Plan, which the Receiver also confirmed directly with GWL.
3. The relief sought in respect of the Pension Plan was deferred to the Comeback Hearing in order to provide notice to FSCO and the Unions.
4. The Receiver supports the relief sought by RCF to authorize the Receiver to cause the Company to pay ongoing pension contributions as they become due without personal liability to the Receiver for doing so. This will provide an efficient mechanism by which the Company's pension contributions can continue to be funded. Subject to Court approval, the Receiver also intends to cause the Company to continue to fulfil its obligations as administrator of the Pension Plan.

5. Given the reduced workforce, the pension payments are not expected to be material and there is expected to be sufficient cash on hand to make these priority payments.

6.2 Sale Process for Exploration Properties

1. The Application Materials and the Proposed Receiver's Report set out a sale process for the Exploration Properties.
2. The Receiver believes the sale process is reasonable and appropriate in the circumstances as it should provide sufficient time to canvass the market for prospective purchasers and also provides the Receiver with flexibility to extend the timelines, if required. The Receiver is proposing the bid deadline to be October 5, 2015.

6.3 HST

1. The Application Materials indicated that the Company was current on its HST remittances, excluding a stub period for pre-filing HST amounts that would be required to be paid post-filing.
2. Just prior to the receivership application date, the Company paid approximately \$470,000 to CRA to satisfy its HST obligation. This amount was based on an estimate of the Company's "stub period" HST obligation.
3. Notwithstanding that it appears that there are no further pre-filing HST obligations, for the sake of administrative efficiency (including avoiding a further Court appearance), RCF is seeking an order authorizing the Receiver to pay from the funds in the receivership account any remaining pre-filing HST obligation.

7.0 Conclusion and Recommendation

1. Based on the foregoing, the Receiver respectfully recommends that this Honourable Court make an Order granting the relief detailed in section 1.1(1)(g) of this Report.

* * *

All of which is respectfully submitted,



**KSV KOFMAN INC.
IN ITS CAPACITY AS RECEIVER OF
FIRST NICKEL INC.
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “D”

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.

)

FRIDAY, THE 4th DAY

JUSTICE NEWBOULD

)

OF SEPTEMBER, 2015

RESOURCE CAPITAL FUND V L.P.

Applicant

- and -

FIRST NICKEL INC.

Respondent



**ORDER
(Comeback Hearing)**

THIS APPLICATION, made by Resource Capital Fund V L.P. ("**RCF**") for an order for the relief set out below was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Affidavit of Catherine J. Boggs sworn August 19, 2015 and the Exhibits thereto (the "**Boggs Affidavit**"), the Pre-filing Report of KSV Kofman Inc., dated August 19, 2015 (the "**Pre-Filing Report**"), the First Report of KSV Kofman Inc., in its capacity as Court-appointed receiver (the "**Receiver**") of the assets of First Nickel Inc. (the "**Company**") dated September 3, 2015 (the "**First Report**"), the Affidavit of Robert Harrison Purdon sworn September 4th, 2015 and the Exhibits thereto, and on hearing the submissions of counsel for the Applicant, the Receiver, West Face Long Term Opportunities Global Master L.P., Her Majesty the Queen in Right of Ontario as represented by the Minister of Northern Development and Mines ("**MNDM**"), Vale Canada Limited ("**Vale**"), Independent Electricity System Operator,

Atlas Copco Canada ("**Atlas**") and ACE INA Insurance, no one else appearing although duly served as appears from the affidavit of service of Christopher Burr sworn September 3, 2015,

1. THIS COURT ORDERS that capitalized terms used herein and not otherwise defined shall have the meaning given to them in the Boggs Affidavit.

SERVICE

2. THIS COURT ORDERS that the time for service of the Notice of Application and the Application is hereby abridged and validated so that this application is properly returnable today and hereby dispenses with further service thereof.

ABANDONMENT OF MINE

3. THIS COURT ORDERS that effective at 11:59 pm (Toronto time) on Friday, September 11, 2015 (the "**Effective Time**"), the Lockerby Mine shall be, and be deemed to be, abandoned by the Receiver, and at the Effective Time any actual or deemed possession of, or responsibility with respect to, the Lockerby Mine shall be relinquished by the Receiver, and the Receiver shall not incur any liability or responsibility whatsoever in respect of the Lockerby Mine from and after the Effective Time, other than with respect to the Market Rules Obligations (as defined below); provided that nothing herein shall affect in any way whatsoever paragraph 6 or 7 of the Order of Mew J. in these proceedings dated August 20, 2015 (the "**Appointment Order**"). For greater certainty, the Receiver shall continue to have access to the Property (as defined in the Receivership Order), and no Person (as defined in the Receivership Order) may destroy any Property without the prior written consent of the Receiver or further Order of this Court.

APPROVAL OF SALES PROCESS

4. THIS COURT ORDERS that the Exploration Project Sales Process described in section 4.1 of the Pre-Filing Report is hereby approved and the Receiver is authorized and directed to carry out the Exploration Project Sales Process in accordance with its terms and this Order and is authorized and directed to take such steps as it considers necessary or desirable in carrying out its obligations thereunder.

5. THIS COURT ORDERS that in addition to the protections in favour of the Receiver as set out in the Appointment Order, the Receiver shall incur no liability or obligation, in its

personal or corporate capacity, or in its capacity as Receiver, for the exercise by the Receiver of any of its powers, or the performance by the Receiver of any of its duties, or any act or omission in connection with the carrying out of the terms of this Order, including, without limitation, its conduct of the Exploration Project Sales Process, including any solicitations, advertising, marketing, negotiation or the completion of a transaction pursuant to the Exploration Project Sales Process; save and except for any claim or liability arising out of any gross negligence or wilful misconduct on the part of the Receiver, provided however that nothing in this Order shall derogate from the protections afforded to the Receiver in the BIA, including without limitation section 14.06.

PENSION PAYMENTS & ADMINISTRATION

6. THIS COURT ORDERS that the Receiver be and is hereby directed and authorized to cause the Company to make, when required by the *Pension Benefits Act* (Ontario) (the “**PBA**”), the minimum required monthly payments in respect of the Pension Plan, and that any such payments are hereby approved.

7. THIS COURT ORDERS and directs, subject to the power of the Superintendent of Financial Services to appoint a replacement administrator under the Pension Plan in accordance with the PBA, that the Company continue to carry out and comply with its responsibilities as administrator of the Pension Plan in accordance with the PBA and consistent with the Company’s past practices, policies and procedures relating thereto and in furtherance of such, the Receiver may cause the Company to complete and file with the Ontario pension regulator any documents required to be filed by the Company as administrator of the Pension Plan, give instructions to third parties currently engaged in the administration of the Pension Plan or the administration and investment of the assets held in relation to the Pension Plan (collectively, the “**Plan Administration Activities**”) or engage any Person to carry out any act required to be done in respect of the Plan Administration Activities.

8. THIS COURT ORDERS that the expenses relating to the Plan Administration Activities shall be paid out of the assets held in relation to the Pension Plan consistent with the Company’s past practices.

9. THIS COURT ORDERS that in addition to the protections in favour of the Receiver as set out in the Appointment Order, the Receiver shall incur no liability or obligation, in its personal or corporate capacity, or in its capacity as Receiver, for the exercise by the Receiver of any of its powers, or the performance by the Receiver of any of its duties, or any act or omission in connection with causing the Company to take the steps in respect of the Pension Plan as contemplated in this Order; save and except for any claim or liability arising out of any gross negligence or wilful misconduct on the part of the Receiver, provided however that nothing in this Order shall derogate from the protections afforded to the Receiver in the BIA, including without limitation section 14.06.

HST PAYMENTS

10. THIS COURT ORDERS that the Receiver shall cause the Company to pay, in accordance with the Company's legal requirements, all harmonized sales taxes accrued or unremitted by the Company as of the date of the Appointment Order but not required to be remitted until on or after the date of the Appointment Order, when they become due and owing.

11. THIS COURT ORDERS that in addition to the protections in favour of the Receiver as set out in the Receivership Order, the Receiver shall incur no liability or obligation, in its personal or corporate capacity, or in its capacity as Receiver, for the exercise by the Receiver of any of its powers, or the performance by the Receiver of any of its duties, or any act or omission in connection with maintaining the Reserve or causing the Company to make payments from it on account of Sales Taxes when the same are due and owing, as contemplated in this Order; save and except for any claim or liability arising out of any gross negligence or wilful misconduct on the part of the Receiver, provided however that nothing in this Order shall derogate from the protections afforded to the Receiver in the BIA, including without limitation section 14.06.

ELECTRICITY

12. THIS COURT ORDERS that from and after the Effective Time, MNDM shall comply with, observe and perform the obligations and duties of the Company under the Market Rules for the Ontario Electricity Market under section 32 of the Ontario *Electricity Act, 1998*, their licences and applicable law (collectively, the "**Market Rules**"), including, without limitation,

paying all of the monetary obligations incurred by the Company under the Market Rules from and after the Effective Time (collectively, the “**Market Rules Obligations**”).

13. THIS COURT ORDERS that from and after the Effective Time, Vale shall continue to have the right to access, and receive power from, the Company’s 115-5 kV substation (the “**Substation**”) subject to Vale reimbursing MNDM for the portion of power actually received by Vale from the Substation from and after the Effective Time.

ATLAS COPCO CANADA EQUIPMENT

14. THIS COURT ORDERS that Atlas shall have reasonable access to the Lockerby Mine before the Effective Time, in order for its personnel to complete the removal of a piece of equipment known as “Jumbo”, which Atlas has offered to purchase from the Company for \$100,000.

15. THIS COURT ORDERS that following the abandonment of the Lockerby Mine by the Receiver in accordance with Paragraph 3 hereof, MNDM will do all that is reasonably necessary to provide, at no cost, Atlas access to the Lockerby Mine to remove its property, including a Mt42 and a St1030.

GENERAL

16. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

17. THIS COURT ORDERS that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within

proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

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ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:



SEP - 4 2015

RESOURCE CAPITAL FUND V L.P.
Applicant

v.

FIRST NICKEL INC.
Respondent

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**ORDER
(Comeback Hearing)**

BLAKE, CASSELS & GRAYDON LLP
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Lawyers for the Applicant

Appendix “E”

ASSET PURCHASE AGREEMENT

BETWEEN

KSV KOFMAN INC.,
in its capacity as court-appointed receiver of First Nickel Inc., and
not in its personal capacity or in any other capacity

- and -

TRANSITION METALS CORP.,
a corporation incorporated under the laws of the Province of Ontario, Canada

Dated: December 18, 2015

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ASSET PURCHASE AGREEMENT

THIS AGREEMENT made this 18th day of December, 2015.

BETWEEN:

KSV KOFMAN INC.,
in its capacity as court-appointed receiver of First Nickel Inc., and
not in its personal capacity or in any other capacity

(in such capacity, the "Receiver")
- and -

TRANSITION METALS CORP.,
a corporation incorporated under the laws of the Province of Ontario, Canada

(the "Purchaser")

WHEREAS pursuant to an order of the Ontario Superior Court of Justice (Commercial List) (the "Court") issued on August 20, 2015, the Receiver was appointed as the court-appointed receiver of the undertaking, property and assets of First Nickel Inc. (the "Debtor");

AND WHEREAS pursuant to an order of the Court issued on September 4, 2015, the Receiver was authorized to offer the Purchased Assets (as defined hereafter) for sale under a sales process described in the Pre-filing Report of KSV Kofman Inc., dated August 19, 2015;

AND WHEREAS the Purchaser wishes to purchase and the Receiver wishes to sell the Purchased Assets upon the terms and subject to the conditions set out herein;

NOW THEREFORE, in consideration of the promises, mutual covenants and agreements contained in this Agreement (as defined below), and for other good and valuable consideration, the receipt and sufficiency of which are each hereby acknowledged by the Parties (as defined below), the Parties agree as follows:

ARTICLE 1 DEFINED TERMS

1.1 Definitions.

In this Agreement:

"Agreement" means this asset purchase agreement, including all schedules and all amendments or restatements, as permitted, and references to "article", "section" or "schedule" mean the specified article, section of, or schedule to this Agreement and the expressions "hereof", "herein", "hereto", "hereunder", "hereby" and similar expressions refer to this Agreement and not to any particular section or other portion of this Agreement;

Jee

"Applicable Law" means, with respect to any Person, property, transaction, event or other matter, all applicable laws, statutes, regulations, rules, by-laws, ordinances, protocols, regulatory policies, codes, guidelines, official directives, orders, rulings, judgments and decrees of any Governmental Authority;

"Approval and Vesting Order" means an approval and vesting order to be issued by the Court in the form set out in the draft order attached as Schedule "A" hereto;

"Books and Records" means all files, documents, instruments, papers, books and records (whether stored or maintained in hard copy, digital or electronic format or otherwise) used or intended for use in connection with the ownership, operation or conduct of the Purchased Assets;

"Business" means the business carried on by the Debtor, including, without limitation, the operation, ownership and management of the Purchased Assets;

"Business Day" means a day on which banks are open for business in the City of Toronto but does not include a Saturday, Sunday or statutory holiday in the Province of Ontario;

"Claims" means any and all claims, demands, complaints, grievances, actions, applications, suits, causes of action, orders, charges, indictments, prosecutions or other similar processes, assessments or reassessments, judgments, debts, liabilities, expenses, costs, damages or losses, contingent or otherwise, whether liquidated or unliquidated, matured or unmatured, disputed or undisputed, contractual, legal or equitable, including loss of value, professional fees, including solicitor and client costs and disbursements, and all costs incurred in investigating or pursuing any of the foregoing or any proceeding relating to any of the foregoing, related to the Debtor or the Purchased Assets, and **"Claim"** means any one of them;

"Closing" means the successful completion of the Transaction;

"Closing Date" means the date on which Closing occurs;

"Closing Time" means the time on the Closing Date on which Closing occurs;

"Consideration Shares" has the meaning given in section 4.3 hereof;

"Court" has the meaning set out in the recitals hereof;

"Debtor" has the meaning set out in the recitals hereof;

"Deposit" has the meaning given in section 4.2 hereof;

"ETA" means the *Excise Tax Act*, R.S.C. 1985, c. E-15, as amended;

"Governmental Authorities" means all governments, regulatory authorities, governmental departments, agencies, commissions, bureaus, officials, ministers, Crown corporations, courts, bodies, boards, tribunals or dispute settlement panels or other law or regulation-making organizations or entities: (a) having or purporting to have jurisdiction on behalf of any nation, province, republic, territory, state or other geographic or political subdivision thereof; or (b)

exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power, and "Governmental Authority" means any one of them;

"HST" means harmonized sales tax imposed under Part IX of the ETA;

"Interim Period" means the period from and including the date of this Agreement to and including the Closing Date;

"ITA" means the *Income Tax Act*, R.S.C. 1985, c.1, as amended;

"Notice" has the meaning set out in section 15.2 hereof;

"Outside Date" means [February 29], 2016;

"Parties" means the Receiver and the Purchaser;

"Person" means any individual, partnership, limited partnership, limited liability company, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, Governmental Authority or other entity however designated or constituted;

"Purchase Price" has the meaning set out in section 4.1 hereof;

"Purchased Assets" means all of the Debtor's and all of the Receiver's right, title and interest in and to the unpatented mining claims, leasehold and freehold land titles, mining and surface rights, as listed in Schedule "B" hereto;

"Purchaser" has the meaning set out in the Recitals hereof;

"Receiver" has the meaning set out in the recitals hereof;

"Receiver's Certificate" means the form of certificate appended to the Approval and Vesting Order to be delivered by the Receiver on Closing and thereafter filed with the Court evidencing that all conditions to Closing have been satisfied or waived;

"Target Closing Date" means the Business Day following the date on which the Approval and Vesting Order is granted or such other date as agreed to in writing by the Parties;

"Taxes" means all taxes, HST, land transfer taxes, charges, fees, levies, imposts and other assessments, including all income, sales, use, goods and services, harmonized, value added, capital, capital gains, alternative, net worth, transfer, profits, withholding, payroll, employer health, excise, franchise, real property and personal property taxes, and any other taxes, customs duties, fees, assessments or similar charges in the nature of a tax, including Canada Pension Plan and provincial pension plan contributions, employment insurance payments and workers compensation premiums, together with any instalments with respect thereto, and any interest, fines and penalties, imposed by any Governmental Authority, and whether disputed or not; and

JOC

"Transaction" means the transaction of purchase and sale contemplated by this Agreement.

ARTICLE 2 SCHEDULES

2.1 Schedules.

The following schedules are incorporated in and form part of this Agreement:

<u>Schedule</u>	<u>Description</u>
Schedule A	Form of Approval and Vesting Order
Schedule B	Purchased Assets

ARTICLE 3 AGREEMENT TO PURCHASE

3.1 Purchase and Sale of Purchased Assets.

- (1) On the terms and subject to the conditions set out herein, the Receiver hereby agrees to sell, assign, convey and transfer to the Purchaser, and the Purchaser hereby agrees to purchase the Purchased Assets.
- (2) Subject to the Closing, the Receiver hereby remises, releases and forever discharges to, and in favour of, the Purchaser, all of its and the Debtor's rights, claims and demands whatsoever in the Purchased Assets.

3.2 Excluded Liabilities.

The Purchaser is not assuming, and shall not be deemed to have assumed any liabilities, obligations or commitments of the Debtor or the Receiver or of any other Person, whether known or unknown, fixed or contingent or otherwise, including any debts, obligations, sureties, positive or negative covenants or other liabilities directly or indirectly arising out of or resulting from the conduct or operation of the Business or the Debtor's ownership or interest therein, whether pursuant to this Agreement or as a result of the Transaction. However, for greater certainty, nothing herein affects the Purchaser's requirement with respect to any due date(s) for work required in respect of the Purchased Assets in order to maintain such Purchased Assets in good standing. The Receiver acknowledges that the Approval and Vesting Order shall extinguish all liabilities, obligations or commitments of the Debtor relating to the Purchased Assets other than expressly provided in this Agreement or in the Approval and Vesting Order.

ARTICLE 4 PURCHASE PRICE AND SATISFACTION OF PURCHASE PRICE

4.1 Purchase Price.

The purchase price for the Purchased Assets shall be [REDACTED] (the "Purchase Price"), payable in accordance with Section 4.3.

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4.2 Deposit.

- (1) Upon the execution of this Agreement, the Purchaser shall pay the Receiver a deposit of [REDACTED] cash (the "Deposit"), which Deposit shall be applied against and towards the Purchase Price due on completion of the Transaction on the Closing Date.
- (2) The Parties agree that the Receiver shall cause the Deposit to be placed in a segregated account, which Deposit shall be credited to the Purchaser on the Closing Date.

4.3 Satisfaction of Purchase Price.

On Closing, the Purchaser shall indefeasibly pay and satisfy the Purchase Price as follows:

- (a) the Deposit shall be applied against the Purchase Price;
- (b) the Purchaser shall issue on Closing to the Receiver, or to such Person or Persons as may be directed by the Receiver, common shares in the capital of the Purchaser (the "Consideration Shares") that have a market value based on the volume weighted average trading price of the common shares on the TSX Venture Exchange for the preceding twenty (20) trading days equal to [REDACTED], which Consideration Shares shall be subject to a statutory hold period of not more than four months and one day from the Closing Date; and
- (c) [REDACTED] cash shall be paid by the Purchaser to the Receiver on Closing, being the net amount owing after deducting the Deposit and the value of the Consideration Shares from the Purchase Price.

4.4 Allocation of Purchase Price.

The Purchase Price shall be allocated among the Purchased Assets in a manner to be agreed upon by the Parties prior to the Closing Time, acting reasonably. Each Party shall report the sale and purchase of the Purchased Assets for all federal, provincial and local tax purposes in a manner consistent with such allocation.

ARTICLE 5 TAXES

5.1 Taxes.

- (1) The Purchaser is completely and solely liable and responsible for the full payment of all Taxes in respect of the purchase and sale of the Purchased Assets and shall provide the Receiver at Closing with proof of payment of such Taxes or, if applicable, provide the Receiver with tax exemption certificates which are satisfactory to the Receiver, acting reasonably. Any such taxes shall be in addition to, and are not included in, the Purchase Price.

JOK

- (2) The Purchaser hereby agrees to indemnify and hold the Receiver harmless from and against all Claims in connection with the payment of any Taxes under this Agreement and in respect of the Transaction, including penalties and interest thereon and any liability or costs incurred as a result of any failure by the Purchaser to pay such Taxes when due.

ARTICLE 6 CLOSING ARRANGEMENTS

6.1 Closing.

Closing shall take place at the Closing Time on the Closing Date at the offices of the Receiver's lawyers, Bennett Jones LLP, located in Toronto, Ontario, or on such other time and at such other place as the Parties may agree in writing.

6.2 Tender.

Any tender of documents or money under this Agreement may be made upon the Parties or their respective lawyers, and money shall be tendered by certified cheque or wire transfer of immediately available funds to the account specified by the receiving Party.

6.3 Receiver's Closing Deliverables.

The Receiver covenants to execute, where applicable, and deliver the following to the Purchaser at Closing:

- (1) a copy of the issued and entered Approval and Vesting Order;
- (2) a transfer document evidencing the transfer of the unpatented mining claims in the form prescribed by the Ontario Ministry for Mining and Northern Development;
- (3) a certificate from the Receiver, dated as of the Closing Date, certifying that all representations and warranties of the Receiver contained in this Agreement are true as of the Closing Time, with the same effect as though made on and as of the Closing Time;
- (4) the Receiver's Certificate duly executed by the Receiver; and
- (5) such further documentation relating to the completion of the Transaction as shall be reasonably requested by the Purchaser or required by Applicable Law or any Governmental Authority.

6.4 Purchaser's Closing Deliverables.

The Purchaser covenants to execute, where applicable, and deliver the following to the Receiver at Closing or on such other date as expressly provided herein:

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- (1) the indefeasible payment and satisfaction in full of the Purchase Price in accordance with section 4.3 hereof;
- (2) a certificate from the Purchaser, dated as of the Closing Date, certifying that all representations and warranties of the Purchaser contained in this Agreement are true as of the Closing Time, with the same effect as though made on and as of the Closing Time;
- (3) an acknowledgement, dated as of the Closing Date, that each of the conditions in section 7.3 hereof have been fulfilled, performed or waived as of the Closing Time;
- (4) payment or evidence of payment of applicable Taxes or, if applicable, appropriate tax exemption certificates in accordance with article 5 hereof; and
- (5) such further documentation relating to the completion of the Transaction as shall be reasonably requested by the Receiver or required by Applicable Law or any Governmental Authority.

ARTICLE 7 CONDITIONS PRECEDENT TO CLOSING

7.1 Conditions in Favour of the Receiver.

The obligation of the Receiver to complete the Transaction is subject to and conditional upon the satisfaction of the following conditions on or before the Outside Date:

- (1) all of the representations and warranties of the Purchaser contained in this Agreement shall be true and correct on the Closing Date;
- (2) all of the covenants of the Purchaser contained in this Agreement to be performed on or before the Closing Date shall have been duly performed by the Purchaser;
- (3) the Purchaser shall have complied with all of the terms and conditions contained in this Agreement applicable to the Purchaser prior to the Closing Date;
- (4) there shall be no Claim, litigation or proceedings pending or threatened or order issued by a Governmental Authority against either of the Parties, or involving any of the Purchased Assets, for the purpose of enjoining, preventing or restraining the completion of the Transaction or otherwise claiming that such completion is improper;
- (5) the Purchaser shall have received all necessary regulatory approvals, including the approval of the TSX Venture Exchange, to issue the Consideration Shares; and
- (6) the Court shall have issued the Approval and Vesting Order, and such Approval and Vesting Order shall not have been stayed, and any amendments to the Approval and Vesting Order from the form set out in Schedule "A" that relate to the Purchased Assets shall be acceptable to the Purchaser.

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7.2 Conditions in Favour of Receiver Not Fulfilled.

If any of the conditions contained in section 7.1 hereof is not fulfilled on or prior to the Outside Date, then the Receiver may, at its sole discretion and without limiting any rights or remedies available to it at law or in equity:

- (a) terminate this Agreement by notice to the Purchaser, in which event the Receiver shall be released from its obligations under this Agreement to complete the Transaction; or
- (b) waive compliance with any such condition without prejudice to its right of termination in respect of the non-fulfillment of any other condition.

7.3 Conditions in Favour of the Purchaser.

The obligation of the Purchaser to complete the Transaction is subject to and conditional upon the satisfaction of the following conditions on or before the Outside Date:

- (1) all of the representations and warranties of the Receiver contained in this Agreement shall be true and correct on the Closing Date;
- (2) all of the covenants of the Receiver under this Agreement to be performed on or before the Closing Date shall have been duly performed by the Receiver;
- (3) the Receiver shall have complied with all of the terms and conditions contained in this Agreement applicable to the Receiver prior to the Closing Date; and
- (4) there shall be no Claim, litigation or proceedings pending or threatened or order issued by a Governmental Authority against either of the Parties, or involving any of the Purchased Assets, for the purpose of enjoining, preventing or restraining the completion of the Transaction or otherwise claiming that such completion is improper;
- (5) the Court shall have issued the Approval and Vesting Order, and such Approval and Vesting Order shall not have been stayed.

7.4 Conditions in Favour of Purchaser Not Fulfilled.

If any of the conditions contained in section 7.3 hereof is not fulfilled on or prior to the Outside Date, then the Purchaser may, in its sole discretion and without limiting its rights or remedies available at law or in equity:

- (a) terminate this Agreement by notice to the Receiver, in which event the Purchaser and the Receiver shall be released from their obligations under this Agreement to complete the Transaction; or
- (b) waive compliance with any such condition without prejudice to its right of termination in respect of the non-fulfillment of any other condition.

JOK

**ARTICLE 8
REPRESENTATIONS & WARRANTIES OF THE RECEIVER**

The Receiver represents and warrants to the Purchaser as follows, with the knowledge and expectation that the Purchaser is placing complete reliance thereon and, but for such representations and warranties, the Purchaser would not have entered into this Agreement:

- (1) subject to the issuance of the Approval and Vesting Order: the Receiver has all necessary power and authority to enter into this Agreement and to carry out its obligations hereunder; the execution and delivery of this Agreement and the consummation of the Transaction have been duly authorized by all necessary action on the part of the Receiver; and, this Agreement is a valid and binding obligation of the Receiver enforceable in accordance with its terms;
- (2) the Receiver has been duly appointed as the receiver of the undertaking, property and assets of the Debtor; and
- (3) the Receiver is not a non-resident of Canada for the purposes of the ITA.

**ARTICLE 9
REPRESENTATIONS & WARRANTIES OF THE PURCHASER**

The Purchaser represents and warrants to the Receiver as follows, with the knowledge and expectation that the Receiver is placing complete reliance thereon and, but for such representations and warranties, the Receiver would not have entered into this Agreement:

- (1) the Purchaser is a corporation duly formed and validly subsisting under the laws of Ontario;
- (2) the Purchaser has all necessary corporate power and authority to enter into this Agreement and to carry out its obligations hereunder. Neither the execution of this Agreement nor the performance by the Purchaser of the Transaction will violate the Purchaser's constituting documents, any agreement to which the Purchaser is bound, any judgment or order of a court of competent jurisdiction or any Governmental Authority, or any Applicable Law. The execution and delivery of this Agreement and the consummation of the Transaction have been duly authorized by all necessary corporate action on the part of the Purchaser. This Agreement is a valid and binding obligation of the Purchaser enforceable in accordance with its terms;
- (3) the Purchaser is or will be a registrant under Part IX of the ETA on the Closing Date; and
- (4) the Purchaser has not committed an act of bankruptcy, is not insolvent, has not proposed a compromise or arrangement to its creditors generally, has not had any application for a bankruptcy order filed against it, has not taken any proceeding and no proceeding has been taken to have a receiver appointed over any of its assets, has not had an encumbrancer take possession of any of its property and has not had any execution or distress become enforceable or levied against any of its property.

JBC

**ARTICLE 10
COVENANTS****10.1 Mutual Covenants.**

Each of the Receiver and the Purchaser hereby covenants and agrees that, from the date hereof until Closing, each shall use commercially reasonable efforts to have the Transaction approved in the Approval and Vesting Order and use commercially reasonable efforts to cause Closing to occur on the Target Closing Date.

10.2 Receiver Covenants.

The Receiver hereby covenants and agrees that, from the date hereof until Closing, it shall use commercially reasonable efforts to provide to the Purchaser all necessary information in respect of the Debtor and the Purchased Assets reasonably required to complete the applicable tax elections in accordance with article 5 hereof and to execute all necessary forms related thereto.

10.3 Purchaser Covenants.

The Purchaser hereby covenants and agrees that, except as expressly contemplated in this Agreement, from the date hereof until the Closing Date, it shall use commercially reasonable efforts to take all such actions as are necessary to provide to the Receiver all necessary information in respect of the Purchaser reasonably required to complete the applicable tax elections in accordance with article 5 hereof and to execute all necessary forms related thereto.

**ARTICLE 11
POSSESSION AND ACCESS PRIOR TO CLOSING****11.1 Possession of Purchased Assets.**

The Receiver shall remain in possession of the Purchased Assets until the Closing Time, at which time the Purchaser shall take possession of the Purchased Assets where situated. The Purchaser acknowledges that the Receiver has no obligation to deliver physical possession of the Purchased Assets to the Purchaser.

11.2 Examination of Title and Access to Assets.

- (1) The Purchaser and its agents and representatives may have reasonable access to the Purchased Assets during normal business hours in the Interim Period for the purpose of enabling the Purchaser, at its sole cost and expense (regardless of results), to conduct such non-destructive, non-invasive inspections of the Purchased Assets as it deems appropriate, provided that such inspections shall not unduly interfere (and the Purchaser undertakes to use its best efforts, which the Purchaser represents and warrants shall not be less than reasonable commercial efforts, not to so interfere) with the use, operation and enjoyment of the Purchased Assets by the Receiver. The Purchaser agrees that such tests and inspections shall not include any tests or inspections by any Governmental Authority and specifically acknowledges and agrees

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that it shall not request or, through its actions, prompt or cause any tests or inspections to be made by any Governmental Authority. Such inspection may, if the Receiver so desires, be conducted in the presence of a representative of the Receiver.

- (2) The Purchaser covenants and agrees to repair or pay the costs to repair any damage occasioned during or resulting from the inspection of the Purchased Assets conducted by the Purchaser or its authorized representatives, as outlined above, and to return the Purchased Assets to the condition same were in prior to such inspections. The Purchaser covenants and agrees to indemnify and save the Receiver harmless from and against all losses, costs, claims, third party claims, damages, expenses (including actual legal costs) which the Receiver may suffer as a result of the inspection of the Purchased Assets conducted by the Purchaser or its authorized representatives, as outlined above, or as a result of any unauthorized tests or inspections by Governmental Authorities.

11.3 Risk.

The Purchased Assets shall be and remain at the risk of the Receiver until Closing and at the risk of the Purchaser from and after Closing. If, prior to Closing, the Purchased Assets are substantially damaged or destroyed by fire, casualty or otherwise, then, at its option, the Purchaser may decline to complete the Transaction. Such option shall be exercised within 15 calendar days after notification to the Purchaser by the Receiver of the occurrence of such damage or destruction (or prior to the Closing Date if such occurrence takes place within 15 calendar days of the Closing Date), in which event this Agreement shall be terminated automatically. If the Purchaser does not exercise such option, it shall complete the Transaction and shall be entitled to an assignment of any proceeds of insurance referable to such damage or destruction. Where any damage or destruction is not substantial, the Purchaser shall complete the Transaction and shall be entitled to an assignment of any proceeds of insurance referable to such damage or destruction. For the purposes of this section, substantial damage or destruction shall be deemed to have occurred if the loss or damage to the Purchased Assets exceeds 15% of the total Purchase Price (inclusive of the Deposit).

ARTICLE 12 AS IS, WHERE IS

12.1 Condition of the Purchased Assets.

The Purchaser acknowledges that the Receiver is selling and the Purchaser is purchasing the Purchased Assets on an "*as is, where is*" and "*without recourse*" basis as the Purchased Assets shall exist on the Closing Date. The Purchaser further acknowledges and agrees that it has entered into this Agreement on the basis that neither the Receiver nor the Debtor has guaranteed or will guarantee title to or marketability, use or quality of the Purchased Assets, that the Purchaser has conducted such inspections of the condition and title to the Purchased Assets as it deems appropriate and has satisfied itself with regard to these matters. No representation, warranty or condition is expressed or can be implied as to title, encumbrance, description, fitness for purpose, environmental compliance, merchantability, condition or quality, or in respect of any other matter or thing whatsoever concerning the Purchased Assets, or the right of the

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Receiver to sell, assign, convey or transfer same, save and except as expressly provided in this Agreement. Without limiting the generality of the foregoing, any and all conditions, warranties or representations expressed or implied pursuant to the *Sale of Goods Act*, R.S.O. 1990, c. S.1, do not apply hereto and/or have been waived by the Purchaser. The description of the Purchased Assets contained in this Agreement is for the purpose of identification only and no representation, warranty or condition has or will be given by the Receiver concerning the accuracy of such description.

ARTICLE 13 POST-CLOSING MATTERS

13.1 Books and Records.

The Purchaser shall keep and maintain the Books and Records for a period of two years from the Closing Date, or for any longer period as may be required by Applicable Law or Governmental Authority. Upon reasonable advance notice, after the Closing Date, the Purchaser will grant the Receiver and the Debtor and, in the event the Debtor is adjudged bankrupt, any trustee of the estate of the Debtor and their respective representatives, reasonable access during normal business hours, and a licence free of charge, to use and copy the Books and Records and any other documentation related to the Purchased Assets.

ARTICLE 14 TERMINATION

14.1 Termination of this Agreement.

This Agreement may be validly terminated:

- (1) upon the mutual written agreement of the Parties;
- (2) pursuant to section 7.2 hereof by the Receiver;
- (3) pursuant to section 7.4 hereof by the Purchaser; or
- (4) pursuant to section 11.3 hereof.

14.2 Remedies for Breach of Agreement.

If this Agreement is terminated for any reason other than as a result of a breach of a representation, warranty or covenant of this Agreement by the Purchaser, the Deposit shall be returned to the Purchaser by the Receiver promptly following such termination. If the Agreement is terminated for any other reason, then the Deposit shall be forfeited to the Receiver as genuine liquidated damages and not as penalty. The Purchaser's only recourse for a breach of the Agreement by the Receiver shall be the return of the Deposit. The Receiver's only recourse for a breach of the Agreement by the Purchaser shall be its right to retain the Deposit.

14.3 Effect of Termination.

If this Agreement is terminated, all obligations of each of the Receiver and the Purchaser hereunder shall end completely, other than the Receiver's obligation with respect to the return of the Deposit to the Purchaser as provided for under this Agreement.

**ARTICLE 15
GENERAL CONTRACT PROVISIONS**

15.1 Further Assurances.

From time to time after Closing, each of the Parties shall execute and deliver such further documents and instruments and do such further acts and things as may be required or useful to carry out the intent and purpose of this Agreement and which are not inconsistent with the terms hereof, including, at the Purchaser's request and expense, the Receiver and/or the Debtor shall execute and deliver such additional conveyances, transfers and other assurances as may, in the opinion of the Parties or their counsel, acting reasonably, be reasonably required to effectually carry out the intent of this Agreement and transfer the Purchased Assets to the Purchaser. The Receiver shall have no further obligations hereunder from and after the time on which it is discharged as Receiver by the Court.

15.2 Survival Following Completion.

Notwithstanding any other provision of this Agreement section 5.1, 13.1 and 15.1 shall survive the Closing of the Transaction, provided, however, that upon the discharge of KSV Kofman Inc. as the Receiver, the Parties' respective obligations by reason of this Agreement shall end completely and they shall have no further or continuing obligations by reason thereof. All representations and warranties shall merge and terminate on Closing.

15.3 Notice.

All notices, requests, demands, waivers, consents, agreements, approvals, communications or other writings required or permitted to be given hereunder or for the purposes hereof (each, a "Notice") shall be in writing and be sufficiently given if personally delivered, sent by prepaid registered mail or transmitted by email, addressed to the Party to whom it is given, as follows:

- (a) to the Receiver:

KSV Kofman Inc.
150 King Street West, Suite 2308
Toronto, ON M5H 1J9

Attention: Robert Kofman and David Sieradzki
Tel: (416) 932-6228 / (416) 932-6030

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Email: bkofman@ksvadvisory.com /
dsieradzki@ksvadvisory.com

and a copy to the Receiver's counsel to:

Bennett Jones LLP
3400 One First Canadian Place, P.O. Box 130
Toronto, ON M5X 1A4

Attention: Scan Zweig
Tel: (416) 777-6254
Email: zweigs@bennettjones.com

(b) to the Purchaser:

Transition Metals Corp
410 Falconbridge Rd, Unit 5
Sudbury Ontario, P3A 4S4

Attention: Greg Collins
Tel: (705) 872-6390
Email: gcollins@transitionmetalscorp.com

and a copy to the Purchaser's counsel to:

Dentons Canada LLP
20th Floor, 250 Howe St.,
Vancouver BC, V6C 3R8

Attention: Alan Hutchison
Tel: (604) 443-7119
Email: alan.hutchison@dentons.com

or such other address of which Notice has been given. Any Notice mailed as aforesaid will be deemed to have been given and received on the third business day following the date of its mailing. Any Notice personally delivered will be deemed to have been given and received on the day it is personally delivered, provided that if such day is not a Business Day, the Notice will be deemed to have been given and received on the Business Day next following such day. Any Notice transmitted by email will be deemed given and received on the first Business Day after its transmission.

If a Notice is mailed and regular mail service is interrupted by strike or other irregularity on or before the fourth Business Day after the mailing thereof, such Notice will be deemed to have not been received unless otherwise personally delivered or transmitted by email.

15.4 Waiver.

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No Party will be deemed or taken to have waived any provision of this Agreement unless such waiver is in writing and such waiver will be limited to the circumstance set forth in such written waiver.

15.5 Governing Law.

This Agreement will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. The Parties irrevocably attorn to the jurisdiction of the courts of the Province of Ontario sitting in Toronto. The Parties consent to the exclusive jurisdiction and venue of the Court for the resolution of any disputes among them, regardless of whether or not such disputes arose under this Agreement.

15.6 Entire Agreement.

This Agreement constitutes the entire agreement between the Parties and supersedes all prior agreements and understandings between the Parties. There are not and will not be any verbal statements, representations, warranties, undertakings or agreements between the Parties. This Agreement may not be amended or modified in any respect except by written instrument signed by the Parties. The recitals herein are true and accurate, both in substance and in fact.

15.7 Time of the Essence.

Time will be of the essence, provided that if the Parties establish a new time for the performance of an obligation, time will again be of the essence of the new time established.

15.8 Time Periods.

Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next Business Day following if the last day of the period is not a Business Day.

15.9 Assignment.

This Agreement will enure to the benefit of and be binding on the Parties and their respective heirs, executors, legal and personal administrators, successors and permitted assigns. The Purchaser shall not assign this Agreement without the Receiver's prior written consent.

15.10 Expenses.

Except as otherwise set out in this Agreement, all costs and expenses (including, without limitation, the fees and disbursements of legal counsel) incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Party incurring such costs and expenses.

15.11 Severability.

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If any portion of this Agreement is prohibited in whole or in part in any jurisdiction, such portion shall, as to such jurisdiction, be ineffective to the extent of such prohibition without invalidating the remaining portions of this Agreement and shall, as to such jurisdiction, be deemed to be severed from this Agreement to the extent of such prohibition.

15.12 No Strict Construction.

The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.

15.13 Cumulative Remedies.

Unless otherwise expressly stated in this Agreement, no remedy conferred upon or reserved to one or both of the Parties is intended to be exclusive of any other remedy, but each remedy shall be cumulative and in addition to every other remedy conferred upon or reserved hereunder, whether such remedy shall be existing or hereafter existing, and whether such remedy shall become available under common law, equity or statute.

15.14 Currency.

All references to dollar amounts contained in this Agreement shall be deemed to refer to lawful currency of Canada.

15.15 Receiver's Capacity.

It is acknowledged by the Purchaser that the Receiver is entering into this Agreement solely in its capacity as Court-appointed receiver of the undertaking, property and assets of the Debtor and that the Receiver shall have absolutely no personal or corporate liability under or as a result of this Agreement in any respect.

15.16 No Third Party Beneficiaries.

This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns. Nothing in this Agreement shall be construed to create any rights or obligations except between the Parties, and no person or entity shall be regarded as a third party beneficiary of this Agreement.

15.17 Number and Gender.

Unless the context requires otherwise, words importing the singular include the plural and vice versa and words importing gender include all genders. Where the word "including" or "includes" is used in this Agreement, it means "including (or includes) without limitation".

15.18 Counterparts.

This Agreement may be executed in counterparts and by facsimile or PDF, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument.

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IN WITNESS WHEREOF the parties hereto have duly executed this Agreement as of the date first above written.

KSV KOFMAN INC., in its capacity as the court-appointed receiver of First Nickel Inc., and not in its personal capacity or in any other capacity

Per: _____
Name:
Title:

TRANSITION METALS CORP.

Per: 
Name: *Greg Ellis*
Authorized signing officer.

Per: _____
Name:
Authorized signing officer.

SCHEDULE A
APPROVAL AND VESTING ORDER

See attached.

**SCHEDULE B
PURCHASED ASSETS**

DUNDONALD -- LEASEHOLD (Land Titles Division of Cochrane (No. 6))


Township/Town	Claim #	Original Lease #	Current Lease #	Expiry Date	Parcel #	Property Identifier #	Rights	Annual Rent
Dundonald/ Iroquois Falls	L.71007	100802	108135 registered as #CB39433	Sept. 30, 2028	210	65347-0123	Mining	\$194.25
	L.71193							
	L.71194							
	L.71011							
Dundonald/ Iroquois Falls	L.71012	100798	108133 registered as #CB39435	Sept. 30, 2028	211	65347-0124	Mining	\$182.11
	L.71013							
	L.71014							
	L.74882							
Dundonald/ Iroquois Falls	L.71015	100800	108131 registered as #CB39437	Sept. 30, 2028	212	65347-0125	Mining	\$97.13
	L.71016							
Dundonald/ Iroquois Falls	L.71005	100799	108132 registered as #CB39436	Sept. 30, 2028	213	65347-0126	Mining	\$205.18
	L.71018							
	L.71006							
	L.71017							
Dundonald/ Iroquois Falls	L.74883	100801	108130 registered as #CB39438	Sept. 30, 2028	214	65347-0127	Mining	\$165.11
	L.74886							
	L.74884							

W'S Legal 0747350000111285662044

Note: Total Lease cost per year of \$2,246.57

DUNDONALD FREEHOLD – Land Titles Division of Cochrane (No. 6)

Township/Town	Legal Description	Parcel #	Property Identifier #	Mining Tax	Property Tax
Dundonald/Iroquois Falls	NW ¼ of Lot 4, Concession 1	8345	65347-0104	\$127.48	\$162.29
Dundonald/Iroquois Falls	NE ¼ of the N ½ of Lot 1, Concession 2, except SRO as in C378201	4177	65347-0077	\$64.75	
Dundonald/Iroquois Falls	Part of the S part of Lot 2, Concession 1	795	65347-0101	\$259.00	

DUNDONALD - Unpatented Mining Claims - Porcupine Mining Division


Township	Claim #	Recording Date	Claim Due Date	Percent Option	Reserve
Clergue	1113612	May 3, 1989	2016-May-03	100%	\$0
Clergue	1113613	May 3, 1989	2016-May-03	100%	\$0
Clergue	1113614	May 3, 1989	2016-May-03	100%	\$0
Clergue	1113615	May 3, 1989	2016-May-03	100%	\$0
Dundonald	1113207	May 3, 1989	2016-May-03	100%	\$0
Dundonald	1113215	May 3, 1989	2016-May-03	100%	\$0
Dundonald	1113216	May 3, 1989	2016-May-03	100%	\$0
Dundonald	1113229	May 3, 1989	2016-May-03	100%	\$0
Dundonald	1127895	October 30, 1989	2016-Oct-30	100%	\$0
Dundonald	1127896	October 30, 1989	2016-Oct-30	100%	\$0
Dundonald	1128060	November 20, 1989	2016-Nov-20	100%	\$1,459
Dundonald	1128061	November 20, 1989	2016-Nov-20	100%	\$0
Dundonald	1128064	November 20, 1989	2016-Nov-20	100%	\$0
Dundonald	1128065	November 20, 1989	2016-Nov-20	100%	\$0
Dundonald	1133283	September 13, 1990	2016-Sep-13	100%	\$0

LOCKERBY MINE FREEHOLD - Land Titles Division of Sudbury (No. 53)

Township	Legal Description	Parcel #	Property Identifier #	Rights
Denison	Part Lot 1, Concession 5, Unit 9, Plan D139, except LT1127; Subject to LT159829, LT163272; T/W easement over Part Lot 3, Concession 2, Denison - Parts 1 and 2 on 53R5614 as in LT368088; T/W easement over Part Lot 3, Concession 2, Denison - Parts 2, 3 and 4 on 53R5614 as in LT368089; T/W easement over Part Lot 3, Concession 6 - Part 2 on 53R10548 as in SD19540; T/W easement over Part Lot 3, Concession 5, Parts 2 and 4 on 53R6727 as in SD19540; T/W easement over Part Lot 3, Concession 6 - Part 1 on 53R6727 as in SD19540; T/W easement over Part Lot 2, Concession 6 - Parts 1 and 2 on 53R5666 as in SD19540	454 Sec. SWS	73382-0646	
Denison	Part Lot 1, Concession 5, Denison Unit 11, Plan D139, except LT1127; Subject to LT159829, LT163272, LT279274, LT537505; T/W easement over Part Lot 3, Concession 2 - Parts 1 and 2 on 53R5614 as in LT368088; T/W easement over Part Lot 3, Concession 2 - Parts 2, 3 and 4 on 53R5614 as in LT368089; T/W easement over Part Lot 3, Concession 6 - Part 2 on 53R10548 as in SD19540; T/W easement over Part Lot 3, Concession 5 - Parts 2 and 4 on 53R6727 as in SD19540; T/W easement over Part Lot 3, Concession 6 - Part 1 on 53R6727 as in SD19540; T/W easement over Part Lot 2, Concession 6 - Parts 1 and 2 on 53R5666 as in SD19540	454, Sec. SWS	73382-0647	

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Denison	Part Lot 1, Concession 5 – Unit 10, Plan D139; T/W easement over Part Lot 3, Concession 6 – Part 2 on 53R10548 as in SD19540; T/W easement over Part Lot 3, Concession 5 – Parts 2 and 4 on 53R6727 as in SD19540; T/W easement over Part Lot 3, Concession 6 – Part 1 on 53R6727 as in SD19540; T/W easement over Part Lot 2, Concession 6 – Parts 1 and 2 on 53R5666 as in SD19540	5115 Sec. SWS MRO	73382-0514	Mining
Denison	Part Lot 1, Concession 5 – Unit 12, Plan D139; T/W easement over Part Lot 3, Concession 6 – Part 2 on 53R10548 as in SD19540; T/W easement over Part Lot 3, Concession 5 – Parts 2 and 4 on 53R6727 as in SD19540; T/W easement over Part Lot 3, Concession 6 – Part 1 on 53R6727 as in SD19540; T/W easement over Part Lot 2, Concession 6 – Parts 1 and 2 on 53R5666 as in SD19540	9478 Sec. SWS	73382-0324	
Denison	South ½ of Lot 1, Concession 6; T/W easement over Part Lot 3, Concession 6 – Part 2 on 53R10548 as in SD19540; T/W easement over Part Lot 3, Concession 5 – Parts 2 and 4 on 53R6727 as in SD19540; T/W easement over Part Lot 3, Concession 6 – Part 1 on 53R6727 as in SD19540; T/W easement over Part Lot 2, Concession 6 – Parts 1 and 2 on 53R5666 as in SD19540	7390, Sec. SWS	73382-0281	
Graham	Part Broken Lot 12, Concession 6, being Mining Claim S.28405 as in WP4955; T/W easement over Part Lot 3, Concession 6 – Part 2 on 53R10548 as in SD19540; T/W easement over Part Lot 3, Concession 5 – Parts 2 and 4 on 53R6727 as in SD19540; T/W easement over Part Lot 3, Concession 6 – Part 1 on 53R6727 as in SD19540; T/W easement over Part Lot 2, Concession 6 – Parts 1 and 2 on 53R5666 as in SD19540	9108, Sec. SWS	73380-0296	

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Graham	Part Broken Lot 12, Concession 6 being Mining Claim S.28407 as in WP4954; T/W easement over Part Lot 3, Concession 6 – Part 2 on 53R10548 as in SD19540; T/W easement over Part Lot 3, Concession 5 – Parts 2 and 4 on 53R6727 as in SD19540; T/W easement over Part Lot 3, Concession 6 – Part 1 on 53R6727 as in SD19540; T/W easement over Part Lot 2, Concession 6 – Parts 1 and 2 on 53R5666 as in SD19540	9107 Sec. SWS	73380-0297	
Graham	Part Broken Lot 12, Concession 6; T/W land covered with the water of that portion of a small lake lying adjacent thereto being Mining Claim S.28415 as in WP4953; T/W easement over Part Lot 3, Concession 6 – Part 2 on 53R10548 as in SD19540; T/W easement over Part Lot 3, Concession 5 – Parts 2 and 4 on 53R6727 as in SD19540; T/W easement over Part Lot 3, Concession 6 – Part 1 on Plan 53R6727 as in SD19540; T/W easement over Part Lot 2, Concession 6 – Parts 1 and 2 on 53R5666 as in SD19540	9106 Sec. SWS	73380-0298	
Graham	Part Broken Lot 12, Concession 6 being Mining Claim S.28406 as in WP4956; T/W easement over Part Lot 3, Concession 6 – Part 2 on 53R10548 as in SD19540; T/W easement over Part Lot 3, Concession 5 – Parts 2 and 4 on 53R6727 as in SD19540; T/W easement over Part Lot 3, Concession 6 – Part 1 on 53R6727 as in SD19540; T/W easement over Part Lot 2, Concession 6 – Parts 1 and 2 on 53R5666 as in SD19540	9109, Sec. SWS	73380-0299	

LANDORE - OPTION LANDS - Land Titles Division of Sudbury (No. 53)

Township	Description	Parcel	Property Identifier #	Rights
Graham	Lot 12, Concession 5, Township of Graham, as in LT647829; S/T LT151336, LT244534, LT93526; Greater Sudbury	29073, Sec SWS	73380-0264	70% interest as set out in the Property Option Agreement dated November 21, 2005 and letter of amendment letter dated November 23, 2007 and confirmed by Consent to Assignment from Landore Resources Canada Inc. dated May 31, 2011

SOUTH EASTERN ONTARIO CLAIMS

Township/Area	Claim Number	Recording Date	Claim Due Date	Percent Option	Work Required	Reserve
BELMONT	4243836	2008-Oct-31	2017-Oct-31	100%	\$400	\$0
BELMONT	4243849	2008-Oct-31	2016-Oct-31	100%	\$2,000	\$115
LIMERICK	4221216	2007-Jun-26	2018-Jun-26	100%	\$800	\$0
LIMERICK	4224013	2007-Jun-26	2017-Jun-26	100%	\$800	\$0
LIMERICK	4224016	2007-Jun-26	2017-Jun-26	100%	\$2,400	\$0
LIMERICK	4224017	2007-Jun-26	2018-Jun-26	100%	\$4,000	\$218
LIMERICK	4224018	2007-Jun-26	2018-Jun-26	100%	\$4,800	\$0
LIMERICK	4224019	2007-Jun-26	2017-Jun-26	100%	\$3,200	\$0
LIMERICK	4224020	2007-Jun-26	2017-Jun-26	100%	\$2,400	\$0
LIMERICK	4224021	2007-Jun-26	2017-Jun-26	100%	\$4,800	\$0
LIMERICK	4224022	2007-Jun-26	2018-Jun-26	100%	\$400	\$0

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LIMERICK	4224030	2007-Jun-26	2016-Jun-26	100%	\$1,200	\$22
LIMERICK	4242601	2008-Apr-18	2017-Apr-18	100%	\$2,400	\$0
LIMERICK	4242602	2008-Apr-18	2017-Apr-18	100%	\$3,200	\$128,484
LIMERICK	4242603	2008-Apr-18	2017-Apr-18	100%	\$3,200	\$12,282
LIMERICK	4242604	2008-Apr-18	2017-Apr-18	100%	\$2,000	\$0
LIMERICK	4242605	2008-Apr-18	2017-Apr-18	100%	\$3,600	\$0
LIMERICK	4242606	2008-Apr-18	2017-Apr-18	100%	\$4,000	\$0
LIMERICK	4242607	2008-Apr-18	2017-Apr-18	100%	\$4,800	\$0
LIMERICK	4242608	2008-Apr-18	2017-Apr-18	100%	\$3,600	\$0
LIMERICK	4242609	2008-Apr-18	2017-Apr-18	100%	\$3,200	\$0
LIMERICK	4242610	2008-Apr-18	2017-Apr-18	100%	\$4,800	\$0
LIMERICK	4242611	2008-Apr-18	2017-Apr-18	100%	\$3,600	\$0
LIMERICK	4242612	2008-Apr-18	2017-Apr-18	100%	\$4,000	\$0
LIMERICK	4242613	2008-Apr-18	2017-Apr-18	100%	\$3,200	\$0
LIMERICK	4242614	2008-Apr-18	2017-Apr-18	100%	\$800	\$0
LYNDOCH	4247930	2009-Jul-07	2016-Jul-07	100%	\$2,800	\$0
LYNDOCH	4247931	2009-Jul-07	2017-Jul-07	100%	\$4,800	\$0
RAGLAN	1500341	2012-Mar-06	2018-Mar-06	100%	\$1,600	\$0
RAGLAN	1500342	2012-Mar-06	2018-Mar-06	100%	\$4,000	\$0
RAGLAN	1500343	2012-Mar-07	2018-Mar-07	100%	\$4,000	\$0
RAGLAN	1500344	2012-Mar-07	2018-Mar-07	100%	\$4,000	\$0
RAGLAN	1500345	2012-Mar-07	2018-Mar-07	100%	\$4,800	\$0
RAGLAN	1500356	2012-Mar-23	2018-Mar-23	100%	\$2,400	\$0
RAGLAN	3006547	2007-Feb-12	2016-Feb-12	50%	\$4,729	\$0
RAGLAN	3006548	2007-Feb-12	2016-Feb-12	50%	\$3,200	\$35,175
RAGLAN	4206120	2006-Jun-07	2016-Jun-07	100%	\$4,800	\$0
RAGLAN	4209520	2006-Jun-07	2016-Jun-07	100%	\$2,400	\$0
RAGLAN	4209521	2006-Jun-07	2016-Jun-07	100%	\$4,800	\$0
RAGLAN	4209522	2006-Jun-07	2016-Jun-07	100%	\$4,000	\$0
RAGLAN	4209523	2006-Jun-07	2016-Jun-07	100%	\$4,800	\$0
RAGLAN	4209524	2006-Jun-07	2020-Jun-07	100%	\$4,800	\$0

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RAGLAN	4224000	2007-Jun-26	2016-Jun-26	100%	\$4,800	\$0
RAGLAN	4224001	2007-Jun-26	2016-Jun-26	100%	\$1,600	\$0
RAGLAN	4224002	2007-Jun-26	2017-Jun-26	100%	\$1,600	\$0
RAGLAN	4224004	2007-Jun-26	2016-Jun-26	100%	\$1,200	\$0
RAGLAN	4224005	2007-Jun-26	2018-Jun-26	100%	\$4,800	\$0
RAGLAN	4224006	2007-Jun-26	2017-Jun-26	100%	\$3,606	\$0
RAGLAN	4224007	2007-Jun-26	2017-Jun-26	100%	\$4,800	\$0
RAGLAN	4224008	2007-Jun-26	2016-Jun-26	100%	\$3,200	\$0
RAGLAN	4224009	2007-Jun-26	2016-Jun-26	100%	\$2,400	\$0
RAGLAN	4224014	2007-Jun-26	2017-Jun-26	100%	\$1,600	\$3,422
RAGLAN	4224015	2007-Jun-26	2018-Jun-26	100%	\$400	\$163,852
RAGLAN	4247928	2009-Jul-07	2016-Jul-07	100%	\$1,600	\$0
RAGLAN	4247929	2009-Jul-07	2016-Jul-07	100%	\$4,000	\$0
RAGLAN	4247932	2009-Jul-07	2016-Jul-07	100%	\$800	\$400
RAGLAN	4250211	2009-May-29	2018-May-29	100%	\$800	\$0
RAGLAN	4250212	2009-May-29	2018-May-29	100%	\$4,000	\$250
RAGLAN	4250213	2009-May-29	2020-May-29	100%	\$3,200	\$0
WOLLASTON	4223958	2007-Jun-26	2016-Jun-26	100%	\$1,600	\$0
WOLLASTON	4224029	2007-Jun-26	2016-Jun-26	100%	\$800	\$7
WOLLASTON	4249453	2010-Apr-12	2017-Apr-12	100%	\$800	\$0
WOLLASTON	4252350	2010-Apr-12	2017-Apr-12	100%	\$650	\$0

RAGLAN HILLS - UNPATENTED MINING CLAIMS - Joint Venture Agreement dated October 31, 2007 between First Nickel Inc. and Pacific Northwest Capital Corp.

First Nickel Inc. Claims Pacific Northwest Capital Corp. Claims

Township	Claim #	Recording Date	Claim Due Date	Township	Claim #	Recording Date	Claim Due Date
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RAGLAN	4224000	June 26, 2007	June 26, 2010	RAGLAN	4206120	June 7, 2006	June 7, 2010
RAGLAN	4224001	June 26, 2007	June 26, 2010	RAGLAN	4209520	June 7, 2006	June 7, 2010
RAGLAN	4224002	June 26, 2007	June 26, 2010	RAGLAN	4209521	June 7, 2006	June 7, 2010
RAGLAN	4224004	June 26, 2007	June 26, 2010	RAGLAN	4209522	June 7, 2006	June 7, 2010
RAGLAN	4224005	June 26, 2007	June 26, 2010	RAGLAN	4209523	June 7, 2006	June 7, 2010
RAGLAN	4224006	June 26, 2007	June 26, 2010	RAGLAN	4209524	June 7, 2006	June 7, 2010
RAGLAN	4224007	June 26, 2007	June 26, 2010				
RAGLAN	4224008	June 26, 2007	June 26, 2010				
RAGLAN	4224009	June 26, 2007	June 26, 2010				
RAGLAN	4224014	June 26, 2007	June 26, 2010				
RAGLAN	4224015	June 26, 2007	June 26, 2010				
RAGLAN	4247928	July 7, 2009	July 7, 2011				
RAGLAN	4247929	July 7, 2009	July 7, 2011				
RAGLAN	4247932	July 7, 2009	July 7, 2011				
RAGLAN	4250211	May 29, 2009	May 29, 2011				
RAGLAN	4250212	May 29, 2009	May 29, 2011				
RAGLAN	4250213	May 29, 2009	May 29, 2011				

Appendix “F”

First Nickel Inc.

Interim Statement of Receipts and Disbursements for the period ending January 11, 2016

	CAD	USD
<i>Receipts</i>		
Cash	1,383,066	64,020
Glencore collections	-	868,022
Sale of assets	498,819	-
GIC redemption (IESO)	374,750	-
Other receipts	138,590	11
HST collected	85,702	133,206
	<u>2,480,927</u>	<u>1,065,260</u>
<i>Disbursements</i>		
Payroll costs, including benefits, union dues and retention plan	776,727	-
Receiver's fees	339,915	-
Utilities	286,576	-
HST	274,167	-
Legal fees and disbursements	118,614	-
Casual labour	39,155	-
Miscellaneous and other operating expenses	216,754	63
	<u>2,051,907</u>	<u>63</u>
<i>Balance in receivership accounts</i>	<u>429,020</u>	<u>1,065,197</u>