CANICKEL MINING LIMITED
NI 43-101 TECHNICAL REPORT REGARDING UPDATE TO RESERVES AND RESOURCES

for the

BUCKO LAKE NICKEL PROJECT
WABOWDEN, MANITOBA

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CaNickel Bucko Lake Mine

CaNickel Mining Limited
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TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

1. SUMMARY

1.1 Introduction

This report is an update on the Reserves and Resources for the Thompson Nickel Belt South (TNB) area for CaNickel Mining Limited ("CaNickel"), consisting of the Bucko Lake Mine, M11A Project, Apex, Bowden Lake, and Halfway Lake Prospects based on drilling results obtained from surface and underground drilling completed on the property from 1960's to 2012. It also provides an overview of current mining and milling activity at the Bucko Lake Mine.

Technical documentation from design work done in previous NI 43-101 reports has been used as a reference for the current design work which, as presented in this report, is considered to be an update to the CaNickel NI 43-101 compliant mineral resources and reserves presented in March 31, 2009 by Crowflight Minerals Inc. ("Crowflight") as of April 1, 2012.

CaNickel assumed control of the Bucko Lake property and associated exploration prospects from Crowflight through a name change in June of 2011.

1.2 Location

The properties are located just outside the town of Wabowden, Manitoba, 106 km south-southwest of Thompson and 640 km north of Winnipeg. The town of Wabowden has about 500 permanent residents and has limited services but all necessary utilities, phone and internet service. The general lay of the land is flat with outcrops of glacial rounded rock and wet muskeg lowlands separated by stands of fir and spruce trees. Ponds, swamps and shallow lakes are common. The climate is typical of northern areas within the Canadian Shield with long winters and short hot summers. For most purposes the site can be considered an all weather operation except for temporary unusual weather conditions.

1.3 History

The area has a relatively long although interrupted history of exploration and development beginning in 1959, shortly after the major discovery of nickel deposits at Thompson. Falconbridge optioned the property from Marbenor Mines Limited in 1962 and began an intensive exploration effort that resulted with a discovery hole and subsequent drilling that resulted in the development of 1,000 foot (304.8 m) shaft in 1972. From development work at that level, drilling was conducted which defined a resource at Bucko Lake. A decision was made not to go forward with mining at that time and the shaft was capped, allowed to flood and the site demobilized.

Additional work would wait until 1990 when additional surveys were conducted and limited drilling was done. In 2000 Nuinsco tested the continuity of the mineralization with additional drilling and continued the program into 2001. Crowflight became involved in the property in 2004 with operating partner Falconbridge signing an option for the Bucko Lake property as well as prospects to the north and south. An extensive surface drilling campaign was begun and in 2008 the shaft was rehabilitated and related facilities were built. Underground in-fill drilling was begun to delineate reserves and increase the geotechnical database. It was at this time in 2008 that Crowflight Minerals achieved its first nickel ore production. Production would continue on an episodic schedule due to unfavorable nickel prices and initial operational slowdowns.

CaNickel assumed control of the Bucko Lake property and associated exploration prospects from Crowflight through a name change in June of 2011. Full production of the Bucko Lake Property was achieved in the first quarter of 2012 having mined over 60,000 tonnes of ore and milled 54,000 tonnes to produce over a million pounds (453,590 kg) of nickel. CaNickel sold just over 900,000 pounds (408,230 kg) of nickel and an average selling price of $8.65 US per pound for $7.8 million dollars US. During this time they also completed construction of Phase 1 of the tailings management area. The month of March 2012 saw a milestone as the mill achieved a record recovery rate of 79.1%.

On May 16, 2012, CaNickel received a stop work order from Manitoba's Workplace Safety and Health Division to cease blasting operations until all known voids have been backfilled and the current mining plan has been revised to correct ground condition issues. In June, 2012 with these deficiencies over ground control were corrected, the stop work order was lifted, and it was decided by CaNickel to place the mine on a care and maintenance status until such time that the weak nickel prices improve and the company optimizes it's mine plan methods..

1.4 Geological Setting and Mineralization

The Bucko Lake Property is located within the Thompson Nickel Belt, a northeastern trending zone several kilometers wide and 100 km long of variably reworked Archean basement gneisses and early Proterozoic cover rocks between the superior and Churchill Provinces in northern Manitoba. This zone has a distinctive gravity and magnetic geophysical signature. The property itself is underlain by Archean gneisses and Proterozoic ultramafic intrusive rocks. The gneisses have been intruded by Aphebian ultramafic sills including the Bucko Lake Ultramafic which hosts the nickel mineralization on the property. The nickel deposits are genetically and spatially related to serpentine sills. Their present distribution is the result of re-mobilization during the long and complex tectonic history of the Thompson Belt.

Nickel deposits in the Thompson Nickel Belt usually fall within one of three categories. A Thompson-style mineralization that consists of laterally extensive strongly deformed massive sulfide horizon with a characteristic metasedimentary sequence. A Birchtree-style mineralization consisting of brecciated semi-massive to massive structurally remobilized nickel sulfides, or a disseminated to semi-massive sulfide in serpentenized peridotite. These tend to be large tonnage, low-grade deposits but may contain high-grade cores with a low tonnage host. This last type characterizes the Bucko Lake deposits.

The major nickel sulfide deposits of the Thompson Nickel Belt include the Birchtree Pipe, Soab and Manibridge deposits. Vale currently operates the Birchtree and Thompson underground mines as well as the Thompson open pit nickel mine and the Thompson area has produced over 4 billion pounds (1.8 billion kilograms) of nickel over the past 50 years from these mines (source: Vale Website www.vale.com).

1.5 Exploration, Drilling and Sample Verification

Limited rock exposures and extensive surface water in the form of swamps, ponds, lakes and muskeg have restricted many conventional exploration techniques. Most of the initial exploration along the Thompson Nickel belt consisted of ground and airborne geophysical surveys with gravity and magnetics being the most effective. Following up on geophysical anomalies, surface drilling was begun by Falconbridge in 1962 with encouraging results. In 1972 a 1,000 foot (304.8 m) shaft was sunk to allow underground drilling to further define an ore body that would become the Bucko Lake Mine. Crowflight entered into an exploration agreement with Falconbridge (now Xstrata) in 2003 and continued surface drilling and geophysical surveys. This resulted in the definition of nearby nickel mineralization at Bowden Lake, M11A, Apex, and Halfway Lake prospects. Exploration efforts by CaNickel have focused on development of the M11A area with positive results.

The historical Falconbridge drill database was audited by independent consultants, P&E in 2005 for Crowflight (now CaNickel) and was found to be accurate with respect to position, geology and assay information. Data from this historical source reconciles well with information from the recent Crowflight/CaNickel drilling programs and underground mapping including several breakthrough holes identified in 2008 on the 1,000 foot (304.8m) mining level.

The core sampling done by Crowflight followed the protocols developed by Falconbridge entitled “Thompson Nickel Belt South-Diamond Drill Standard Procedures”, which is available and understood by all CaNickel staff.

All casings of completed holes are left in place and capped. Site locations are marked by a stake affixed with aluminum tags containing hole number, depth, azimuth, and dip. Underground holes are plugged and marked with metal tags containing hole name information.

Surface NQ drill core is split and the underground BQ is sent whole after having been logged. Samples are bagged with identification tags, bundled together in rice sacks on shrink wrap bound pallets and shipped.

All core samples, both from earlier Crowflight drilling and CaNickel's subsequent drilling, have been sent to ALS Chemex in Thunder Bay for preparation and then sent to ALS Chemex in Vancouver for Analysis.

CaNickel/Crowflight's standard QA/QC procedures consist of placing one control standard every 25 samples and one blank at an interval of 40 samples. ALS Chemex manages its internal QA/QC using procedures to ensure proper tracking of samples during preparation is followed and its analytical equipment is properly calibrated.

The authors visited the property in May 2012 and surface and Bucko Lake underground data were reviewed in detail, outcrops examined, and samples were collected of representative drill core and underground workings for independent verification of assays. The verification samples were all collected, secured and sent directly to ActLabs (Toronto, ON) by the authors without assistance of any of CaNickel's staff.

Assays returned on the drill core verification samples confirm high-grade nickel values above the Crowflight/CaNickel ore-grade cut-off value. There was considerable variability in values, however, which the authors believe was due to this high-grade, coarse-grained mineral system that can be expected to show wide variability, comparable perhaps to that shown in most coarse-grained gold systems.

After reviewing the Crowflight/CaNickel data, reconciling any significant differences, inconsistencies or omissions found in the data, and carefully considering the result of the verification sampling, the authors believe that the data available for the Bucko Lake and M11A projects have been sufficiently verified and are adequately reliable for purposes of the NI 43-101 Technical Report.

Verification sampling was not conducted by the authors for the satellite prospects, Bowden Lake, Apex and Halfway Lake mentioned in this report. Instead, the authors use verification data from previous NI 43-101 Technical Reports, as these properties have had no work conducted on them since the 2009 report.

1.6 Mineral Processing and Metallurgical Testing and Recovery Methods

Several metallurgical tests have been conducted to measure the methods and techniques that would best liberate the metals from the Bucko Lake Mine rock. The overall design of the mill involved detailed studies of mineralogy, mineral processing and design and was coordinated and supervised by Micon International, Toronto, Canada. The floatation process design testing was performed by G&T Metallurgical Laboratories, Kamloops, British Columbia and the installed processing plant was based on these determinations and is currently designed to produce a nickel sulfide concentrate at a rate of 1000 tonne per day.

Crowflight/CaNickel commissioned their 1000 tonne per day milling facility at the Bucko Lake Mine in 2008. The ore from all mining activities is being processed at this facility to produce a nickel sulfide concentrate that is shipped under the terms of an off take agreement with Xstrata to smelting facilities owned by them in Sudbury, Ontario. As of May 2012, 301,327 dry metric tonnes have been processed creating a concentrate of 17,228.8 dry metric tonnes from which 5,459,653 lbs (2,476,499 Kg) of nickel have been produced.

The mill reported that an average of 79.1% mill recovery rate was achieved in March 2012. A total of 21,032 tonnes of ore with an average feeding grade of 1.19% were milled, producing a record nickel metal of 428,640 lbs (194,431 Kg) for the month.

1.7 Mineral Resource and Reserve Updated Bucko Lake Mine and Satellite Properties

1.7.1 Bucko Lake Mine

The Mineral Resources and Reserves have been updated as of April 1, 2012 for the Bucko Lake Mine and are presented in this report. The update was prepared by Mr. James Wong, Professional Engineer and Geologist, Chief Geologist for CaNickel, Mr. Bill Schweng, Owner WTS Technical Services, and Mr. Shawn Romkey, BS Geo., Technical Services and Software Consultants for CaNickel by subtracting mined out stopes from the updated 2010 Gemcom Model Prepared by Crowflight.

The NI 43-101 compliant reserves and resources reported by Crowflight in 2009 was based on a Gemcom block model and mining solids developed by Crowflight for the December 31, 2008 Mineral Reserve and Resource NI 43-101 reporting ("Technical Report regarding an Update to Mineral Reserves and Resources for the Bucko Lake Nickel Project, Wabowden, Manitoba" dated March 31, 2009), prepared by J. Gregory Collins, former officer of the Company, Paul D. Keller, former officer of the Company, Martin Drennan of Python Mining Consultants Inc. and Eugene J. Puritch of P&E Mining Consulting Inc., filed on CaNickel's profile on SEDAR at www.sedar.com (News Release March 12, 2009). On March 25, 2010, Crowflight (Mr. Collins, BS Geo., P. Geo.) updated the block model with new drill hole information, and updated mineral reserves and resources. In March of 2012, CaNickel updated the block model by removing surveyed actual mined areas between March 25, 2010 to March 31, 2012 from the model, and the remaining mineral reserve and resources are reported as of April 1, 2012 in this report.

The updated Mineral Resource and Reserve update for the Bucko Lake Mine as of April 1, 2012 was independently audited in May of 2012, with a mine site visit from May 13 to May 16, 2012, by Mr. Paul L. Martin, BS Mine Eng., P. Eng., Consulting Professional Mining Engineer and Qualified Person for the project in accordance with the Canadian Institute of Mining, Metal and Petroleum (CIM) definition and standards regarding Mineral Resources and Reserves. Mr. Martin concludes that the methodology employed initially by Crowflight, for reserve and resource estimation and currently by the new owner CaNickel engineers and geologists (classical geostatistical block modeling using inverse distance squared, restricting volumes based on mine plan solids) and is consistent with industry standards.

A reconciliation of the 2010 to 2012 actual mined out areas versus the Gemcom model predicted was prepared by Mr. Martin, P. Eng., and CaNickel Engineering and Geology staff at the Bucko Lake Mine in May of 2012. The model reconciliation illustrated an acceptable overall comparison for mined nickel content, but had significant variances in grade and tonnage by level.

Database verification was performed on all drill hole collar location, down hole surveys, and assay intervals as well as the QA/QC procedures for the assays themselves. Errors were negligible and corrections were made to bring the data into compliance.

Domain boundaries were determined from grade boundary interpolation constrained by lithological and structural controls determined from visual inspection of drill hole section and level plans. In total, 9 domains were used to constrain interpolation for the updated block model. Length weighted composites were generated for the drill hole data that fell within the constraints of the above mentioned domains. Grade capping was applied and nickel values greater than 8% and copper values in excess of 1% were deemed effective values for grade capping. Bulk density test were conducted which generated an equation that can be used to assign a modeled bulk density value to those samples where no bulk density measurements have been taken.

A block model framework was created in Gemcom consisting of over 59 million blocks that were 2 meters by 2 meters by 2 meters. The 2008-2012 models were designed on a Selective Mining Unit basis for greater consistency with use of current design practice. Inverse distance squared grade interpolation was utilized in three interpolation passes to determine Measured, Indicated and Inferred classifications.

Nickel cutoff grade is determined to be 1% Ni for Mineral Resource Estimates and 1.25% Ni for Mineral Reserve estimates based on 2012 historical operating costs, mill recoveries and average 3 year metal price for nickel.

Mining reserves were derived from the mineable portion of the Measured and Indicated resources designed by a cut-off grade of 1.25% nickel grade totaling 3,491,200 tonnes at 1.78%.

1.7.2 Satellite Properties (M11A, Bowden Lake, Apex and Halfway Lake)

Since 2004, Crowflight and the new owner, CaNickel, have been actively exploring peripheral to the Bucko Lake deposit. Drilling and geophysical surveys have lead to the successful discovery and definition of inferred resources at number of satellite deposits, located near current operations at Bucko Lake. These are referred to as the Bowden Properties (the M11A Project, Apex Prospect, Bowden Lake Prospect), and the Halfway Lake prospect. All projects are within the Thompson Nickel Belt South Area.

The Bowden Project area consists of 29 claims and 3 mineral leases located just outside the town of Wabowden, Manitoba and have the same good location and infrastructure as the Bucko Lake Property. The geological setting and mineralization is similar to the Bucko Lake Property as well.

Halfway Lake Property about 20 km to the NE of Wabowden. A mineralized ultramafic body in the northeast portion of the property is nickel bearing. Falconbridge did exploration between 1960 and 1970 but no recent exploration has occurred.

The Satellite inferred mineral resources for the Bowden Lake, Apex and Halfway Lake prospects were determined by Crowflight in 2007 and 2008 under the supervision of Mr. Greg Collins, P. Geo., Crowflight's Vice President of Exploration, and a Qualified Person under the NI 43-101 guidelines. The M11A resources were determined by CaNickel in 2012 using all drilling information to date under the supervision of Mr. James Wong, P. Geo. And P. Eng., Chief Geologist for CaNickel. The resource estimate was prepared in compliance with NI 43-101 reporting guidelines, which requires that the estimate be prepared in accordance with the "CIM Definition Standards on Mineral Resources and Mineral Reserves as prepared by the CIM Standing Committee on Reserve Definitions and as adopted by CIM Council".

The determination of mineral resources was based on geostatistical block modeling using Gemcom and Flairbase Amine software utilizing the inverse distance squared method for grade interpolation. Composite lengths were based on a 1.5 meter ideal interval within resource domain solids. The density of material was based on average bulk density measurements taken in mineralized intervals based on available density data. A 1% nickel cut-off grade was used to report indicated (M11A North) and inferred resources for the Satellite Properties.

1.7.3 Statement of Updated Mineral Reserve and Resource Estimate for Bucko Lake Mine, M11A, Bowden Lake, Apex and Halfway Lake as of April 1, 2012

A statement of the Updated Mineral Reserve and Resource Estimate for the Bucko Lake Underground Mine and Satellite Properties (M11A Project, Bowden Lake Prospect, Apex Prospect and Halfway Lake Prospect), as of April 1, 2012, is listed in Table 1 below.

Table 1 Statement of Mineral Reserves and Resources for the Bucko Lake Mine, M11A, Bowden Lake, Apex and Halfway Lake

Deposit (values rounded to nearest 1,000 tonnes)	Cut-Off Grade Ni%	Tonnes	Ni % Grade	Contained Nickel (lbs)	Contained Nickel (Kg)
BUCKO LAKE MINE					
Proven Reserves*	1.25%	616,000	1.43	19,402,000	8,801,000
Probable Reserves*	1.25%	1,994,000	1.44	63,129,000	28,635,000
Total Reserves*	1.25%	2,610,000	1.43	82,531,000	37,436,000
Measured Resources**	1.00%	751,000	1.37	22,680,000	10,288,000
Indicated Resources**	1.00%	2,845,000	1.28	80,059,000	36,315,000
Total Measured and Indicated Resources	1.00%	3,596,000	1.30	102,739,000	46,602,000
				-	
Inferred Resources***	1.00%	5,043,000	1.41	156,887,000	71,164,000
Total Inferred Resources	1.00%	5,043,000	1.41	156,887,000	71,164,000
SATELLITE DEPOSITS					
M11A Project					
Measured Resources**		-	-	-	-
Indicated Resources**	1.00%	800,000	1.17	20,639,000	9,362,000
Total Measured and Indicated Resources	1.00%	800,000	1.17	20,639,000	9,362,000
Inferred Resources***	1.00%	525,000	1.11	12,850,000	5,829,000
Total Inferred Resources	1.00%	525,000	1.11	12,850,000	5,829,000
Apex Prospect					
Total Inferred Resources***	1.00%	41,000	1.19	1,076,000	488,000
Bowden Prospect					
Total Inferred Resources***	1.00%	2,044,000	1.16	52,281,000	23,715,000
Halfway Lake Prospect					
Total Inferred Resources***	1.00%	900,000	1.20	23,814,000	10,802,000
Total Satellite Deposit Inferred Resources***	1.00%	3,510,000	1.16	90,021,000	40,834,000

** Proven and Probable Reserves determined from Measured and Indicated Resources using a 1.25% nickel cut-off with a 15% margin incorporated into the cut-off grade evaluation. 2012 Reserves were calculated using $8.50 US per pound long term nickel price based on the 3 year trailing average nickel spot price and 2012 historical Bucko Lake Mine, Mill and G&A operating costs, mill recoveries and smelting charges.*

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

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

1.8 Underground Mine Design at the Bucko Lake Mine

Mining Operations are designed for an average underground extraction rate of 1,000 tonnes of ore per day, 300 tonnes of waste. Access to the mine is via a decline from the surface although there is a decommissioned shaft which connects the surface to the 1000 foot (304.8 m) level. There are all necessary facilities and infrastructure underground with a complete fleet of haul trucks, drills and accessory machinery to accomplish the planned mining rate.

The mining method selected by CaNickel Mining Ltd is a combination of overhand cut and fill for levels above the 900 foot (274 m) level and long hole stoping for levels below the 900 foot (274 m) level. Level development consists of haulage drifts driven parallel to the footwall contact connecting to the internal ramp and ventilation system. Stopes are typically started in the hanging wall position and retreating towards the footwall. Overcuts, intersections and draw point areas are supported by fully grouted cable bolts and Swellex, with the use of 25% shotcrete coverage in ultramafic development. Once extracted, stopes are filled with cemented hydraulic backfill and development waste.

1.9 Economic Assessment

An economic assessment was conducted of the indicative, pre-tax economics of the Life-of Mine Plan whereby the Bucko Lake Mine will extract and treat 1,000 tonnes per day of nickel ore (363,000 tonnes per year). Based on a total of 2,610,000 tonnes of diluted proven and probable reserves, grading 1.43% Ni, a mine of life of 7.2 years is considered.

Sensitivity analysis for net present value has been applied to the base case pre-tax economic evaluation. This has lead to the conclusion that there are significant risks to the project if there is a continued decline in base metal prices, and if the deposit is not mined in an efficient manner to take into account the poor geometry of the mineralization, weak ground conditions, and relatively low grades. The economic assessment shows a positive cash flow at historical operating costs and recoveries, but with the mill running at full capacity, 1,000 tonnes per day. However, due to various reasons, the mine has not been able to sustain feed to the mill at the rated capacity on a constant basis, and the mine has shown a negative net cash flow. The Satellite properties could supplement plant feed in the future.

There are also significant project opportunities in that any increase in the nickel price will directly improve the project economics. There numerous drill targets known to exist that could be drill tested from the current infrastructure in an attempt to increase the resource base. Continued optimization of the mining methods and mill operations could significantly decrease risk and provide quick profitability. The satellite deposits, if taken to the mining stage, can enhance operating cash flow and provide low cost feet to the mill.

1.10 Adjacent Properties

Within the 110 kilometer long, northeastern trending Thompson nickel belt there are many significant nickel deposits classified as being either in the Thompson Nickel Belt South or North depending on their geographical location. The Pipe Mine, Hambone, Birchtree, Thompson Mine, Moak and Soab deposits are some historically important nickel occurrences in the north. The south hosts the Resting Lake occurrence, Bucko Lake and Bowden Lake deposits as well as the M11A, Apex, Manibirdge, and Minago. The Birchtree, Thompson underground and Thompson open pit are large producers, having produced over 4 billion pounds of nickel over the last 50 years, and continue to be mined (source: Vale Website www.vale.com).

1.11 Conclusions

We believe the Bucko Lake Mine and Bowden Satellite Properties provide the opportunity for sustained mining operation, currently with over seven (7) years of Proven and Probable reserves at the Bucko Lake Deposit, at the rated mill capacity of 1,000 tonnes per day. The resource (M11A) has been audited as reported in this Technical Report and the available drill hole information for the M11A is suitable for a Preliminary Assessment study of this deposit to evaluate the property as another source of mill feed to augment the Bucko Lake Mine production. There appears to be room to significantly expand the known resources at Bucko Lake, M11A and the Satellite Prospects (Bowden Lake, Apex and Halfway Lake), and there are a number of interesting and promising exploration targets that offer potential for future viable discoveries. CaNickel has under option 580 km^2 of exploration ground in both the TNB South and North areas (source: CaNickel Website). This report considers the mineral properties within the TNB South area, covering 190 km^2 of total exploration and operating ground.

2. INTRODUCTION

In May 2012, CaNickel commissioned Lane Griffin, Paul Martin, and Chris Broili to compile a Canadian National Instrument NI 43-101 Technical Report on the Bucko Lake Mine, M11A Project, the Bowden Lake, Apex and Halfway Prospects in northern Manitoba, Canada. The Bucko Lake Mine is an active producing operation (currently on standby care and maintenance), the nearby satellite M11A Project which is an intermediate stage exploration property, and the early stage exploration projects include the Bowden Lake, Apex and Halfway Lake prospects. The purpose of this report is to provide a review of exploration, mining and production information from the properties and offer NI 43-101 compliant estimates of currently defined mineral resources and reserves at Bucko Lake and resources at the satellite deposits M11A, Bowden Lake, Apex and Halfway Lake as of April 1, 2012.

This Technical Report is prepared in compliance with Form 43-101F and is based on information known as of June 30, 2012. All three authors of this report are Independent Qualified Persons as defined in NI 43-101. The authors are not associated or affiliated with CaNickel or any associated company in any manner. The fees collected for preparing this report are in accordance with standard industry fees for work of this nature and are not dependent in whole or in part on any prior or future engagement or understanding resulting from the conclusions of this report.

The Bucko Lake Mine and the satellite M11A, Bowden, Apex and Halfway Lake Project areas have been objects of intermittent detailed geological study and exploration beginning in 1962. The information reviewed for this Technical Report consists primarily of a large number of available documents, maps and reports, and drill sampling and investigations done in the past by CaNickel and its predecessor company, Crowflight. Key documents used in the technical descriptions and summaries are cited at appropriate places throughout this report and listed in detail in the References chapter at the end of this report.

All three authors visited the Mine and Project areas and carried out on-site investigations at various times from May 9 to 15, 2012.

All currency amounts are stated in Canadian ($ C) dollars unless stated otherwise. Quantities are stated in SI units, unless stated otherwise, the Canadian and international practice, including metric tons (tonnes, t) and kilograms (kg) for weight, kilometers (km) or meters (m) for distance, hectares (ha) for area, grams (g) and grams per metric tonne (g/t) for platinum and palladium grades; percentage (%) for Nickel and Copper grades. In this report, all measurement units are metric.

3. RELIANCE ON OTHER EXPERTS

The authors of this report are qualified persons in areas as identified in the Certificates of Qualified Person attached to this report. In preparing this report we (the authors) relied on various published and open-file information such as geological maps, reports and other technical data found in the office of CaNickel, at the Bucko Lake Mine south of Wabowden, Manitoba. Mr. James Wong, P. Eng, P. Geo and Mr. Rick Sproule, P. Geo and CaNickel Chief Geologist & V.P. Geology, who has been working on the Bucko Lake Mine and the M11A Project supplied most of the data to us.

The Bucko Lake Mine is an area that was discovered in 1959 and had surface geological study until 1972 when the first drilling was done. The available information we reviewed is of good technical quality, prepared by past and present company's staff, and appears generally credible. In general, the information is reliable, but is insufficiently detailed to offer more than a very cursory understanding of the project's mineralization and the relationship of the mineralization to the geological setting. The key and relevant information used in this report is listed in the References chapter at the end of this report.

The M11A Project is an area that was first discovered in the late 1960's and been drilled several times. The available information we reviewed is of good technical quality, prepared by past and present company's staff, and appears generally credible. The key and relevant information used in this report is listed in the References chapter at the end of this report.

We are not experts in land, legal, environmental and related matters and therefore we have relied (and believe there is a reasonable basis for this reliance) in this report on various other individuals who contributed the information regarding legal, land tenure, corporate structure, permitting, land tenure and environmental issues.

Specifically, information in Chapter 4 of this report regarding legal status of the land, mineral title, obligations and acquisition agreement is contributed by CaNickel's Chief Geologist, Mr. James Wong, BS Geo., and P. Geo., who completed a claim title examination for claims included in the Bucko Lake Mine and M11A Project, effective May 9, 2012.

Mr. J. Gregory Collins, B. Eng., P.Geo., former VP of Crowflight, Mr. Paul D. Keller, B. Eng., P. Eng., COO and VP for Crowflight, and Mr. Martin Drennan, B. Eng., P. Eng., with Python Mining Consultants, Inc. prepared the 2007-2009 block models, resource and reserve estimate updates for the Bucko Lake Mine (reserves and resources) and the M11A Project, Apex, Bowden Lake and Halfway Lake prospects (resources), which are reported in the 2009 Crowflight Minerals Inc. "NI 43-101 Technical Report Regarding Update to Reserves and Resources for the Bucko Lake Project". The 2009 Technical Report was independently audited by Mr. Eugene J. Puritch, P. Eng., President of P&E Mining Consultants, Inc. and considered to be a NI 43-101 compliant resource and reserve estimate by Mr. Puritch. The model and mineral reserves and resources were updated on March 25, 2010 by Crowflight, which included all drilling as of that date.

Under the direction of Mr. James Wong, P. Geo., P. Eng., CaNickel Chief Geologist, Mr. Bill Schweng, President, WTS Technical Services, and Mr. Shawn Romkey BS Geo., P. Geo., Technical Services and Software consultants for CaNickel, provided their expertise with the mining software which developed the updated calculations (as of April 1, 2012) for the mining plan, resource and reserve calculations for the Bucko Lake Mine and the M11A deposit, updating the original Bucko Lake block models and mine plans prepared by Crowflight and Python Mining Consultants in 2007-2008, with an update on March 25, 2010. In addition the M11A block model prepared by CaNickel (as of April 1, 2012) was an update of the 2008 and 2010 Crowflight M11A block models.

The authors of this report believe there is a reasonable basis for the reliance on the original block model data prepared by Crowflight and Python Mining Consultants, endorsed by P&E Mining Consultants, Inc., and the updates to the 2009/2010 estimates for the Bucko Lake Mine and M11A Project with 2010-2012 drilling and production data by Mr. Wong, BS Geo., P Geo., Mr. Romkey, BS Geo., and Mr. Schweng, President WTS Technical Services.

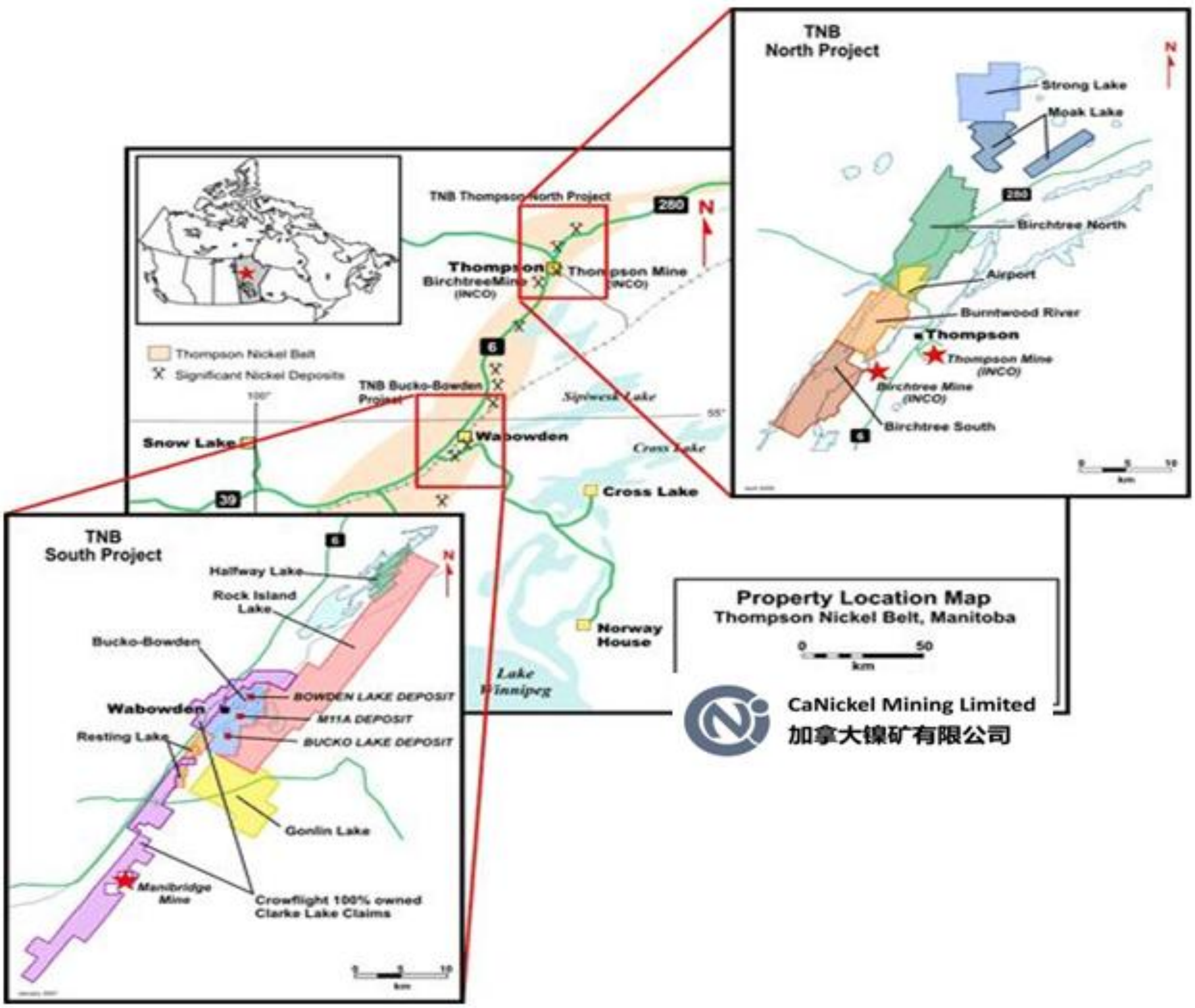
Mr. Dianmin Chen, the Chief Executive Officer for CaNickel, guided us through the overall mining and processing plan. Mr. Derek Liu, Chief Financial Officer for CaNickel assisted with information on the various property and exploration agreements in place and coordinated the final preparation of this document with the authors.

4. PROPERTY DESCRIPTION AND LOCATION

4.1 Location

Figures 1, 2, 3 and 4 below show the location of the Bucko Lake Mine, M11A Project, the Bowden Lake, Apex and Halfway Lake Prospects, the property holdings and the interpreted outline of the Thompson Nickel Belt (TNB). All properties described in this report are located within the TNB South Project holdings of CaNickel (see Figure 1 below).

Figure 1. Location Map-Thompson Nickel Belt and North and South Properties

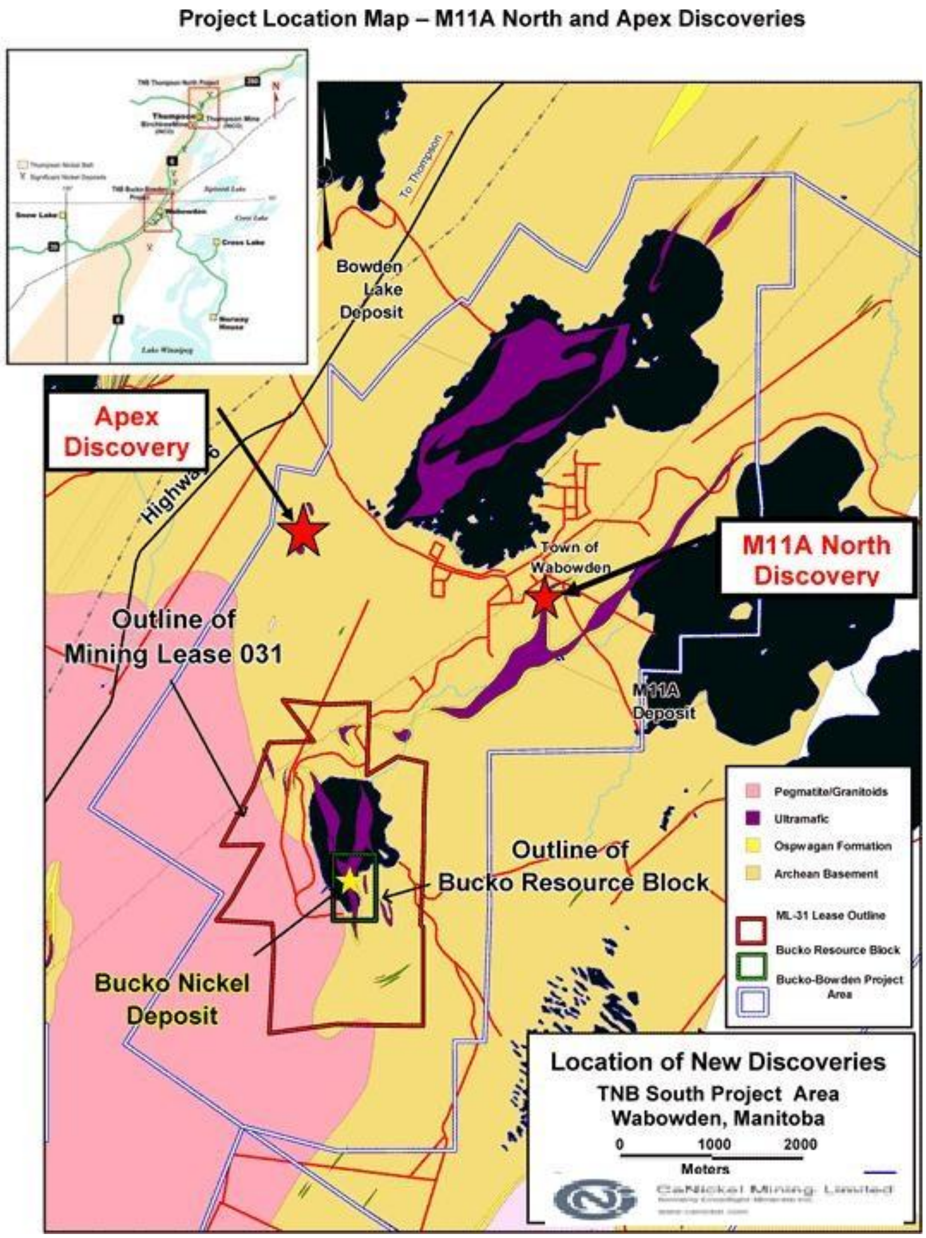


Source: CaNickel, 2012

4.1.1 Bucko Lake Mine

The Bucko Mine Property is located approximately 4.5 km southwest of the town of Wabowden, Manitoba, 111 km south of Thompson or 657 km north of Winnipeg on Highway 6. The approximate central UTM NAD83 (Zone 14) coordinate for the property is: 522,200mE; 6,081,600mN.

Figure 2. Detailed Location Map: Bucko Lake, Bowden Lake, Apex and M11A properties



Source: CaNickel PowerPoint Presentation, 2012

4.1.2 M11A Project

The M11A deposit is approximately 4 km northeast of the Bucko Lake deposit and 1 km east of the town of Wabowden and shares the same good road and infrastructure characteristics as the Bucko Lake deposit. The outline of the deposit as defined in recent drilling occupies a wetland bog and is best traveled during the frozen winter months. The approximate UTM NAD83 (Zone 14) coordinate for the property is 524,000mE; 6,084,000mN.

4.1.3 Bowden Properties (Bowden Lake and Apex)

The Bowden Lake and Apex prospects are located outside the town of Wabowden, Manitoba, 106 km south-southwest of Thompson and 640 km north of Winnipeg. The approximate central UTM NAD83 (Zone 14) coordinate for the claims mentioned in this report is: 521,300mE; 6,084,100mN.

4.1.4 Halfway Lake Prospect

The Halfway Lake property is located outside of the town of Wabowden, Manitoba, 106 km south-southwest of Thompson and 640 km north of Winnipeg UTM NAD83 (Zone 14) coordinates 535,000mE and 6,092,000mN: NTS 63J115, in the Pas Mining District. The property is located on the southeast portion of the Halfway Lake and continues to the southwest past the Bucko-Bowden properties.

Access to the property can be achieved by travelling approximately 20 kilometers NE from Wabowden on the Wekusko-Thompson Highway, and then east 5 kilometers along drill roads to Halfway Lake. Summer and winter access may also be achieved by using float or ski-equipped aircraft from Wabowden to Halfway Lake a distance of approximately 16 air-kilometers. The Canadian National Railway line crosses the NE portion of the property.

4.2 Mineral Claims Detail

CaNickel has under option 580 km^2 of exploration properties in both the TNB South and North areas (source: CaNickel Website). This Technical Report describes the CaNickel mineral properties located within the TNB South area.

4.2.1 Bucko Lake Mine

The Bucko Lake Property consists of a single mineral lease (ML-031) which covers 557 hectares (Ha). All mineralized zones, mineral resources, mineral reserves, mine workings and current and proposed tailings and waste rock deposition areas are located within the boundary of this lease. In Manitoba the ML-031 lease has a 21 year term and requires the party holding such lease make annual payments of CAD $10.50 per hectare if in production or CAD $12.00

per hectare if not in production. Mining leases which terminate after the initial 21 year period can be renewed for an additional 21 year period on into perpetuity through the payment of the annual per hectare fee. One of the conditions required of recording a mining lease is that the boundary of the area under application be surveyed by a Manitoba Land Surveyor. Mining lease ML-031 was recorded in 1992 and is up for renewal in April 2013. CaNickel also maintains surface rights for Mining Lease 031 under a separate lease agreement with the Province of Manitoba ensuring no restriction to access or development on the property.

4.2.2 Bowden Project Area (Bowden Lake, Apex and M11A)

The Bowden Project area (M11A, Bowden Lake and Apex prospects) consists of 29 mineral claims covering 4,533 Ha., and 3 mineral leases covering 1,416 Ha. See Figure 3 below.

Table 2 Bowden Property Mineral Claims (CaNickel Mining Ltd. = CML)

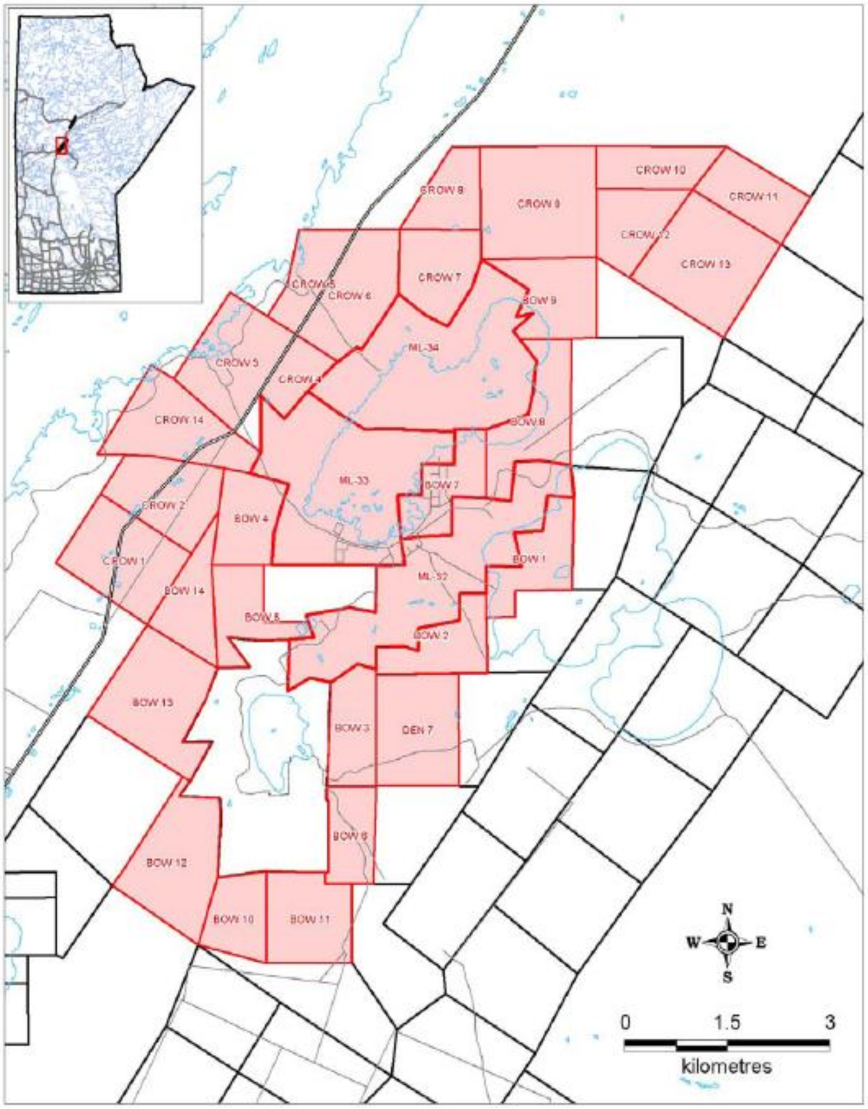
NAME	NUMBER	HOLDER	HECTARES	GROUPING
BOW 1	P7592E	CML	130	G11645
BOW 10	MB5644	CML	100	G11912
BOW 11	P7602E	CML	160	G11909
BOW 12	MB5645	CML	225	G11912
BOW 13	MB5646	CML	232	G11568
BOW 14	MB5647	CML	112	G11568
BOW 2	P7593E	CML	112	G11373
BOW 3	P7594E	CML	144	G11647
BOW 4	P7595E	CML	135	G11487
BOW 5	P7596E	CML	222	G11648
BOW 6	P7597E	CML	112	G11645
BOW 7	P7598E	CML	112	G11645
BOW 8	P7599E	CML	210	G11645
BOW 9	P7600E	CML	144	G11644
CROW 1	MB6735	CML	192	G11568
CROW 10	MB6734	CML	124	G11487
CROW 11	MB6733	CML	128	G11487
CROW 12	MB6730	CML	115	G11644
CROW 13	MB6731	CML	256	G11644
CROW 14	MB6753	CML	185	G11487
CROW 2	MB6110	CML	161	G11568
CROW 3	MB6741	CML	230	G11487
CROW 4	MB6732	CML	60	G11487
CROW 5	MB6740	CML	91	G11487
CROW 6	MB6736	CML	173	G11487

CROW 7	MB6739	CML	112	G11487
CROW 8	MB6738	CML	108	G11487
CROW 9	MB6737	CML	256	G11487
DEN 7	MB5492	CML	192	G11647

Table 3 List of Bowden Property Mineral Leases

HOLDER LEASE NAME	MINERAL LEASE	PROPERTY	AREA (Ha)	GROUPING
CML	ML-32	Bowden	439	G11647
CML	ML-33	Bowden	482	G5275
CML	ML-34	Bowden	495	G11644

Figure 3. - Position of Mineral Claims and Mining Leases on Bowden Property



Source: Geologica Inc., 43-101 Technical Report, 2008

4.2.3 Halfway Lake Area

The Halfway Lake property consists of seventy-three (73) claims totaling 19,081 hectares.

4.3 Land Agreements

In January 31, 2007 Crowflight entered into an Agreement with Xstrata Nickel that provided Crowflight the right to earn a 100% interest in mining lease ML-031 (which contains the Bucko Lake deposit) and a 5.5 kilometer area surrounding he Bucko deposit and earn a 100% interest in all of the advanced-stage exploration ground previously the subject of the separate Thompson Nickel Belt South and North Agreements.

Under the terms of the Bucko Lake Deposit Lease Transfer Agreement in July 2007 Crowflight earned a 100% interest in the ML-031 Mining Lease having honored its expenditure commitments and having completed a Bankable Feasibility Study.

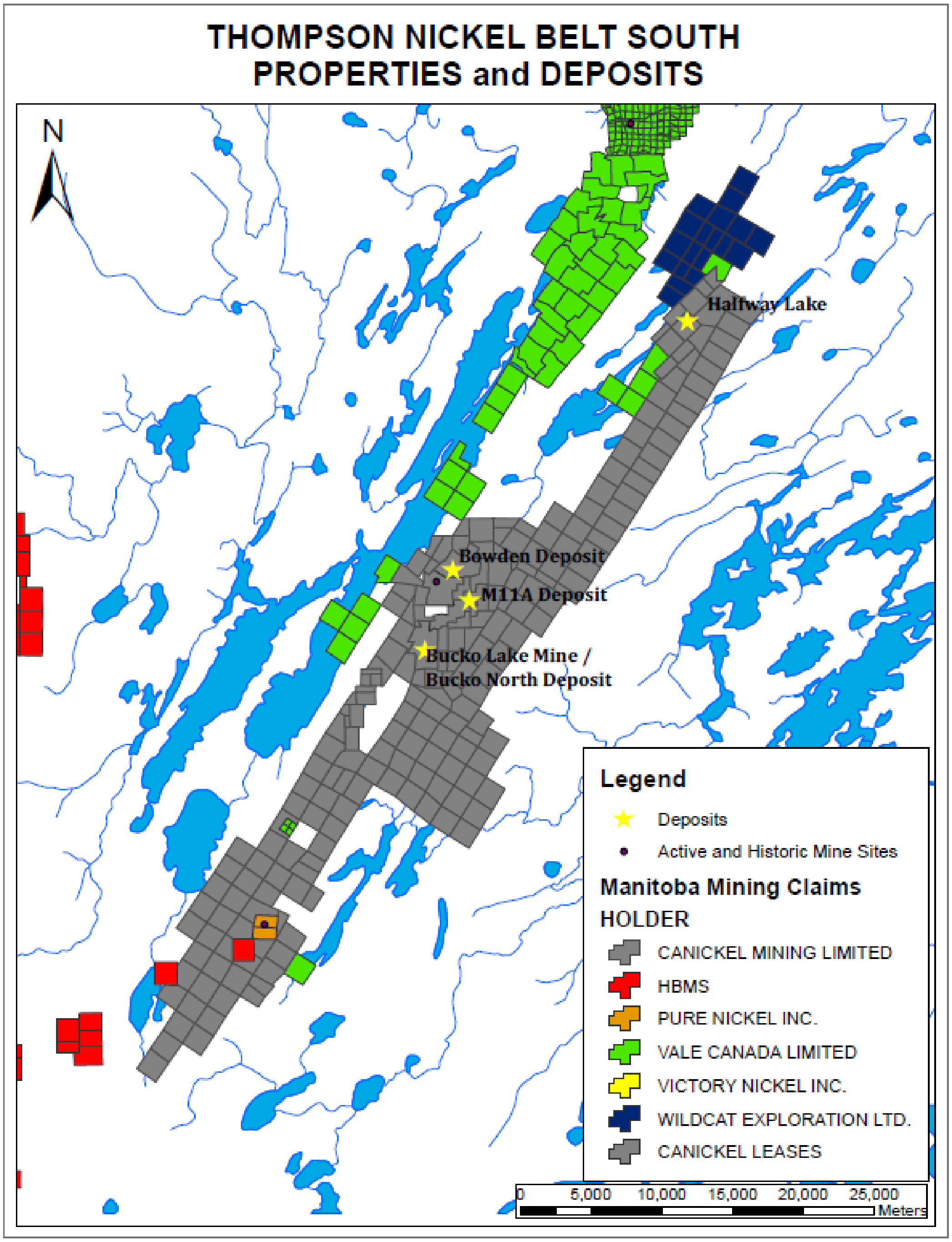
CaNickel's 100% interest in ML-031 is subject to a Back-in-Right whereby should CaNickel outline a Threshold Deposit-a new deposit (outside of currently known Bucko Resources) exceeding 200 million pounds (90.9 million Kg) of nickel in Measured and Indicated reserves, Xstrata would have the right to Back-In for a 50% interest and to become the operator of the Threshold Deposit by paying to CaNickel an amount equal to the aggregate of all direct expenditures which were incurred by CaNickel in carrying out mining operation on the Bucko Lake Lease outside of the Bucko Lake Resource Block prior to the date of exercise of the Back-In Right.

Under the terms of the Lease Transfer Agreement production from the property is subject to a 2.5% Net Smelter Royalty payable to Xstrata net of all charges and penalties for smelting and refining, insurance premiums, and sampling and assay charges incurred after the minerals, metals or metal concentrates have left the site. If the cash quotation from the London Metal Exchange is less than $6.00 per pound for Nickel Grade A in any month then proceeds from this Net Smelter Payment would not apply.

CaNickel assumed control of the Bucko Lake Property and surrounding exploration properties in northern Manitoba's Thompson Nickel Belt from Crowflight Minerals. A name change was approved by all regulatory agencies on June 22, 2011 and trading began the following day on the Toronto Stock Exchange (TSX) under the same previous symbol CML.

The M11A, Apex, Bowden Lake and Halfway Lake deposits are subject to the Option Agreement between Xstrata Nickel and Crowflight Minerals/CaNickel dated July 7, 2007 and further amended on November 29, 2010. The payment/expenditures of $2,500,000 US for 2011 and cumulative working right payments/expenditures of $9,700,000 US have been satisfied as of December 31, 2011 for this agreement by CaNickel.

Figure 4 TNB South Properties and Mining Claims



Source: CaNickel PowerPoint Presentation, 2012

4.4 Environmental Liabilities

Environmental liabilities and obligations are discussed in Chapter 20 under Environmental Considerations.

4.5 First Nations Issues

There are no registered native land claims affecting the project area.

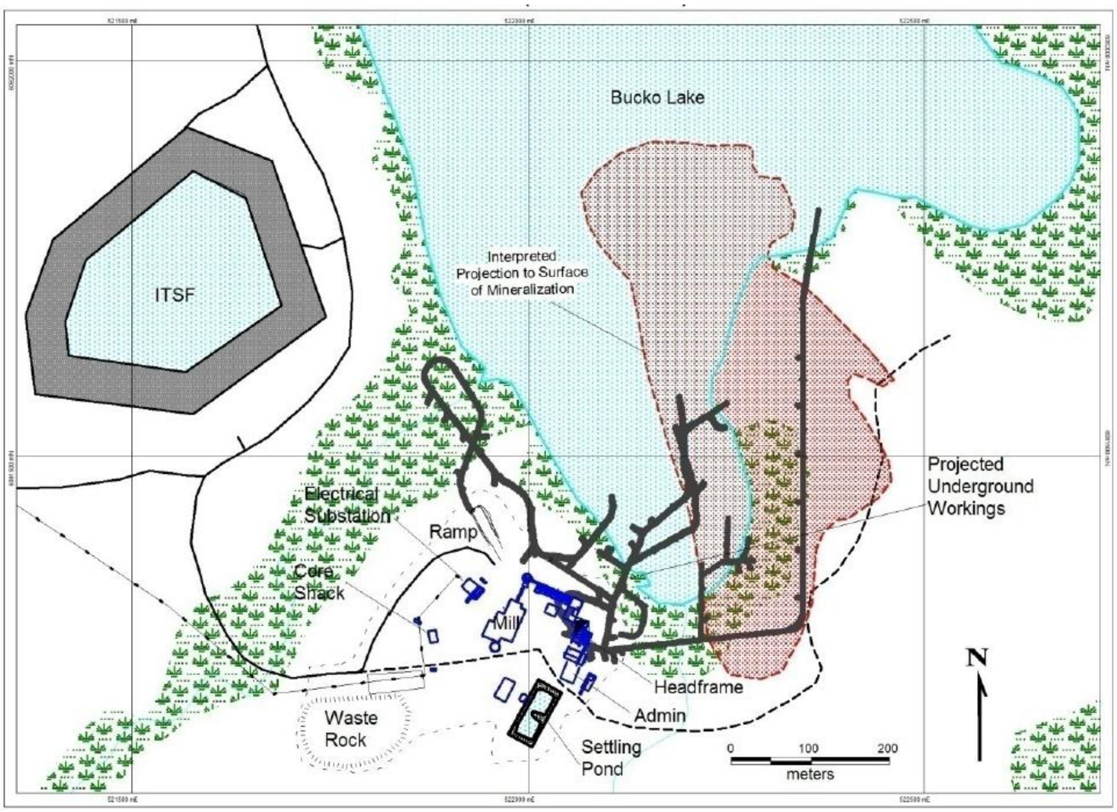
5. ACCESSIBILITY, LOCAL RESOURCES, CLIMATE, INFRASTRUCTURE AND PHYSIOGRAPHY

5.1 Bucko Lake and Satellite Properties (Apex, Bowden Lake and M11A)

The Bucko Lake Mine is in the northern portion of the Province of Manitoba, Canada, approximately 500km north of Winnipeg. Thompson, 105 km to the northeast, is the closest town with major services and Wabowden is approximately 2 km from the mine site. Wabowden is a small town of about 500 people that has electrical and telephone service, a post office and grocery store. The town is serviced by a 5 km long all-weather road from Provincial Highway 6, one of two main north-south highways in Manitoba.

The general lay of the land is flat with subcrop and outcrops of glacially rounded rock and wet muskeg lowlands separated by stands of fir and spruce trees intermingled with alder and birch . Ponds, swamps and lakes are common. The Bucko Lake ore body is under the lake itself. It is a small body of shallow water that does not exceed 2.0m in depth. The lake does not have any cottages or inhabitants close by and is understood to be an area of little interest to the local populace.

Figure 5. Bucko Lake Project Site Plan



Source: Crowflight, NI 43-101 Technical Report, 2009

The climate is typical of northern areas within the Canadian Shield with long winters and short warm to hot summers. Average temperatures range from a low average of -25 degrees centigrade in January to a high average of 17 degrees centigrade in July. The average number of frost free days is 104. The annual precipitation average 315 cm of rain and 147.5 cm of snow. For most purposes the site can be considered an all weather operation except for temporary unusual weather conditions.

5.2 Access

The properties are accessible from Provincial Highway 6 and a network of all weather gavel roads and seasonal trails extending from the Highway, and surrounding infrastructure associated with the town of Wabowden which is located centrally within the project area.

The Bucko Mine and Satellite properties (Bowden Lake, Apex, M11A) are accessed by an all weather gravel roads built in 1977 and upgraded in 2008.

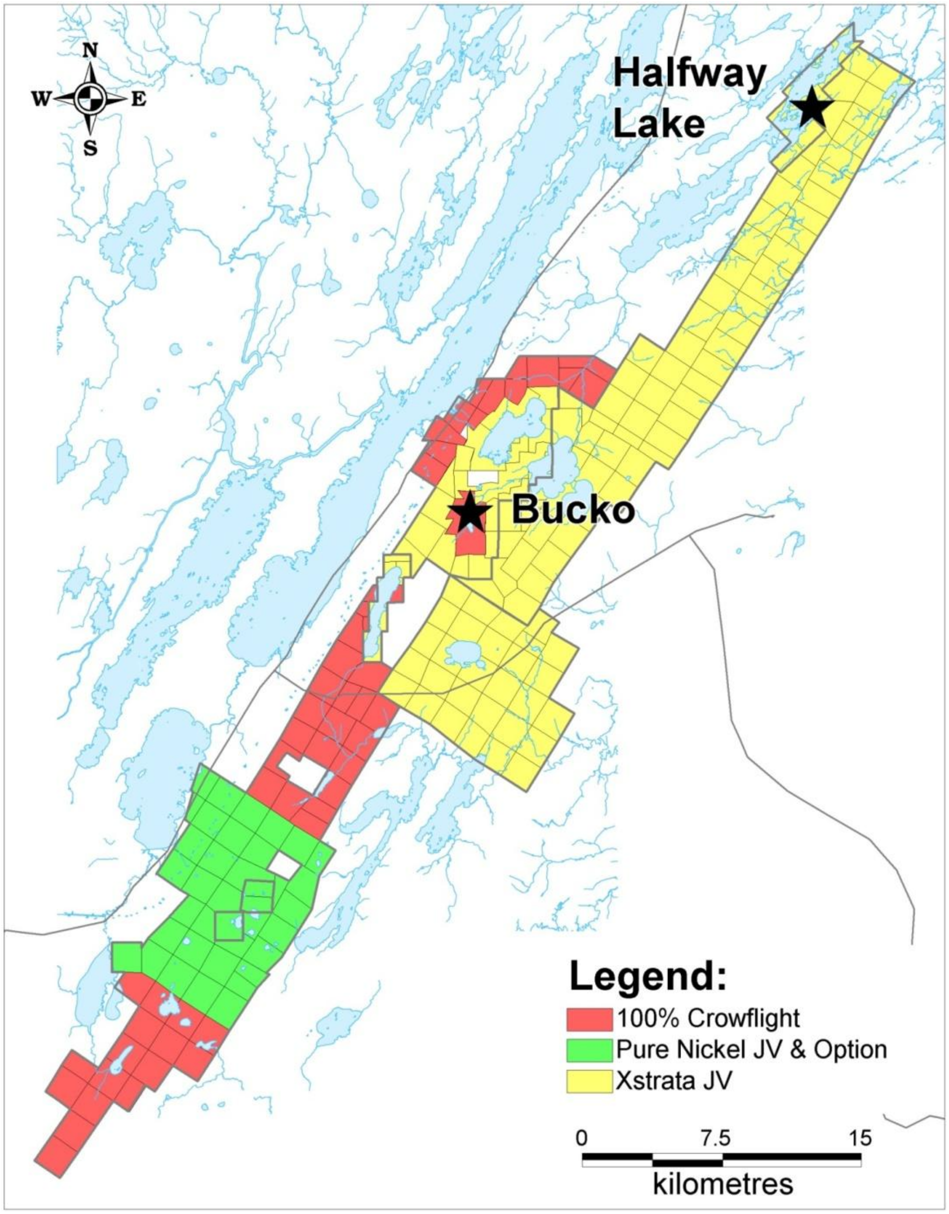
5.3 Infrastructure

For the Bucko Lake, M11A, Apex and Bowden Lake deposits, the HBR (Omnitrax) Rail Line to Churchill and a major hydro electric transmission line heading south along Hwy 6 transect the project area. The M11A Deposit (ML-32) is located under swamp-land which has no development such as town infrastructure or cottages.

5.4 Halfway Lake Property

The Halfway Lake property is located in the Wabowden area, 100 km southwest of Thompson, Manitoba. There are numerous lakes on the property, which are generally not surrounded by any cottages and represent almost no interest for local inhabitants. The property is presently serviced by road, hydro and telephone and the Canadian National Railway line. The Falconbridge Manibridge Mine property is about 40 km southwest of properties by existing roads. Inco’s Thompson smelter is about 100 km northeast of properties by paved roads.

Figure 6 Location Map for the Halfway Lake Prospect



Source: CaNickel PowerPoint Presentation 2011 (Note: Crowflight is now CaNickel)

Topographic relief on the property is considered moderate ranging from 215 to 235 meters above sea level. Lakeshores can be relatively steep, with banks rising about 15 meters above water level in places. Water flowage for Halfway River (and Halfway Lake) is towards the northeast. Bedrock exposures are common along the lake shoreline.

The Thompson Belt region has a continental climate with harsh winters extending from October to April. The summers are relatively moderate. Average daily winter temperatures range from -

25°C to -15°C and average daily summer temperatures range from 10°C to about 16°C. Annual precipitation averages 600 millimeters, about half in the form of snow.

6. HISTORY

6.1 Bucko Lake Mine

Consolidated Marbenor Mines Limited (CMML) first acquired the lands containing the Bucko Lake deposit in 1959 and subsequently optioned the property to Falconbridge in 1962 after drilling hole M77-B which intersected 1.54% Nickel over 6.3m. CMML and Falconbridge conducted numerous follow-up ground and airborne-based magnetic, electromagnetic, seismic refraction and induced polarization surveys on the claims.

In 1964 the Bucko Lake mineralization was discovered with a drill program that tested geophysical drill targets. After a 53 hole program in 1970 with over 21,000m of work was completed a decision was made to go underground and run an exploration program at depth. In 1971-72 an all-weather access road was developed and a three compartment shaft was sunk to 356.6m below the surface. Over 900m of drift was developed on the 305m (1000 ft) level and a diamond drill program of 61 holes with over 12,000m of drilling. In 1974 the shaft was capped, allowed to flood and the site demobilized.

Not until 1990 was work begun again on the property when additional geophysical surveys were conducted and 9 holes were completed totaling 6880m of drilling. Nuinsco Resources Ltd. conducted a due-diligence drilling program in 2000 testing the continuity of mineralization and followed up with additional drilling in 2001 for a total of over 7100m of work.

Crowflight Resources became involved with the project in 2004 with operating partner Falconbridge and conducted surface diamond drilling. During this period 77 holes totaling 32, 246 meters were drilled to in-fill areas of known mineralization, expand resources and reserves, and to obtain bulk sample material for metallurgical testing. In 2008 Crowflight conducted underground in fill drilling on the 1000 foot (304.8 m) level to delineate reserves in areas of planned initial production as well as increase the geotechnical database for ground conditions. Crowflight achieved first production from the Bucko Lake Mine in September of 2008.

Underground operations have continued but occasional slowdowns have occurred as many start up operations experience. On Dec 29, 2011 a reduction in operations occurred due to unfavorable nickel prices in an effort reduce operational costs and preserve capital and was in effect until April when work ramped back up to full capacity.

CaNickel assumed control of the Bucko Lake Property and associated exploration prospects through a name change on June 22, 2011. Trading began the following day on the Toronto Stock Exchange under the symbol of CML.

Full production of the Bucko Lake Property was achieved in the first quarter of 2012 having mined over 60,000 tonnes of ore and milled 54,000 tonnes to produce over a million pounds

(453,590 kg) of nickel. CaNickel sold just over 900,000 pounds (408,230 kg) of nickel and an average selling price of $8.65 US per pound for $7.8 million dollars US. During this time they also completed construction of Phase 1 of the tailings management area. The month of March saw a milestone as the mill achieved a record recovery rate of 79.1%.

On May 16, 2012 CaNickel received a stop work order from Manitoba's Workplace Safety and Health Division to cease blasting operations at the company's Bucko Lake Mine. The stop work order was lifted in June, 2012 and known voids have been backfilled and the current mining plan is revised to correct the ground condition issues. Moreover, as a consequence of weakening nickel prices and higher mining costs experienced by the company using cut and fill mining methods, CaNickel has decided to suspend its mill operations as of the date of this report, to concentrate on optimizing the underground mine plan, operating costs and evaluate potential Satellite Deposits.

6.2 Bowden Properties (Bowden Lake, Apex and M11A)

The Bowden project area has been the subject of exploration activity since the 1950's. In the 1960's and early 1970's, a total of 67 drill holes were drilled on the M11A property by Consolidated Marbenor and Falconbridge Nickel Mines Limited. During this period Falconbridge also conducted a variety of ground magnetic, AFMAG EM and IP surveys. This work resulted in the discovery of the Bucko Lake, Bowden Lake, and initial M11A (or Discovery) deposits. By the mid 1970's non-compliant 43-101 historical resource estimates had been internally established by Falconbridge at all three zones. In 1976 due to low nickel prices and operations problems at Manibridge, Falconbridge Ltd. curtailed exploration and development activities in Manitoba.

In 1990 Falconbridge returned to the area to complete additional ground geophysical surveys, digitally compile historical drill logs, and to re-assess resources located near Wabowden. In 1991 several holes were drilled to test targets located east of the Bucko Lake deposit. In 1992 Falconbridge applied for and was granted mining leases 31, 32, 33, and 34. In 2004, Falconbridge optioned approximately 580 square km of its exploration properties in the Thompson Nickel belt to Crowflight minerals. Since 2004, Crowflight/CaNickel and Falconbridge jointly explored portions of the optioned property undertaking programs of exploratory drilling in 2005, 2006, 2007, 2008 and the fall-winter of 2009-10. This activity has resulted in the discovery of new zones of mineralization referred to as the Apex and M11A North deposits and the further definition of the known resources at M11A and Bowden Lake.

In 2006 holes W11106-01, 02, 03, and 04 were completed intersecting (W11106-01) 0.91% Ni over 11.38m (inc 1.67% Ni over 0.46m), (W11106-02) 0.79% Ni over 14.97m (inc. 2.39% Ni over 0.73m), (W11106-03) 0.76% Ni / 7.6m, and (W11106-04) 1.65% Ni / 0.33m and 1.34% Ni/ 0.75m.

During the 2007 winter program 4 drill holes were completed for a total of 1655.7 meters. One additional hole was added in April 2007 for a total of 465 meters. Based on this drilling a NI 43-101 compliant Inferred Resource was calculated for the Apex deposit and M11A prospects under the supervision of Mr. Collins, P. Eng, BS Geo., for Crowflight.

During the 2008 winter program a total of 6 drill holes were completed for a total of 2033.1 meters drilled. Exploration diamond drilling intersected what was interpreted to be a new zone of nickel sulfide mineralization located beneath the M11A North deposit Hole M08-03 that intersected 26.7 meters (87.5 feet) grading 1.30% nickel including 5.76 meters (16.6 feet) grading 3.06% nickel. Drilling continued at the M11A in 2009 to 2012. The updated resources in this report include all drilling to date for the M11A deposit.

Drilling of the Apex Prospect in 2008 yielded no significant intercepts thus downgrading the potential of the investigated geophysical targets. Additional resource expansion potential remains at depth associated with the currently defined Apex Resource. Additional drilling near Apex should seek to further define this potential.

6.3 Halfway Lake Property

Between 1960 and 1970, Falconbridge carried out ground magnetic and AFMAG-EM Surveys and followed up with a regional follow up program of drilling. During this period a total of 36 holes were drilled on the property testing shallow targets. Between 1994 and 1996, Falconbridge carried out a regional Geotem Airborne EM Survey and followed this up with ground HLEM and Magnetic Surveys. Falconbridge drilled a total of 13 diamond drill holes focused on a mineralized ultramafic in the northeast of the property. Significant results from this drilling included a zone of 1.19% Nickel over 7.97 meters; 1.25% Nickel over 5.72 meters; 1.23% Nickel over 0.80 meters, and the best interval to date gave 1.38% Nickel over 17.55 meters. Limited borehole EM was carried out on the 1995 and 1996 drill holes. No deep penetrating EM surveys have been used to date on this property.

7. GEOLOGIC SETTING AND MINERALIZATION

7.1 Regional Geology

The Bucko Lake mine is located within the Thompson Nickel Belt, a northeastern trending zone 10-35km wide and 100km long zone of variably reworked Archaen basement gneisses and early Proterozoic cover rocks between the Superior and Churchill Provinces in northern Manitoba.

Strong gravity and magnetic expressions allow delineation of the belt and permit its extension beneath platformal cover. It is comprised of gneisses, metasedimentary, metavolcanic and ultramafic rocks and felsic plutons. The metasedimentary, metavolcanic and ultramafic rocks and associated nickel deposits are located on the western side of the belt.

The intermediate to felsic gneisses are stratiform in nature and have a complex tectonic and metamorphic history. They also have an earlier Archean granulite facies and a pervasive retrograde Proterozoic amphibolites facies metamorphism. Of the two structural events identified an earlier folding produced tight sub-horizontal plunging synclinal structures and the later cross folding produced sub-vertically plunging folds.

The metavolcanic pile consists of pillowed and massive metabasaltic flows. They are recrystallized to amphibolites and no primary textures are evident. Magnesium metabasalts and minor ultramafic flows are also associated with these flows. Field relationships suggest that the metavolcainic rocks are coeval with the metasedimentary rocks. The ultramafic rocks have been divided into serpentinites and ultramafic amphibolites. Serpentinites occur as sheet-like or lenticular concordant bodies in the gneisses and they range from dunite to peridotite in composition. The ultramafic amphibolites also occur as lenticular concordant bodies in the gneisses. The general character of the ultramafic rocks suggest that they were originally intruded as sills and are early “Hudsonian” or “pre-Hudsonian” in age.

The present producer is Vale at their Birchtree and Thompson underground mines and the Thompson open pit mine. Over 4 billion pounds (1.2 billion kg) of nickel have been produced from this area over the last 50 years (Source www.vale.com website). Past producers include the Pipe, Soab, and Manibridge deposits. The nickel deposits are genetically and spatially related to the serpentinite sills. Their present distribution is the result of re-mobilization during the long and complex tectonic history of the Thompson Belt. Sulfides occur as interstitial grains in the serpentinites, as massive and inclusion bearing sulfides on the contact between the serpentinites and the country rocks and as stringers or veins in the serpentinites and country rocks.

7.2 Local Geology

7.2.1 Bucko Lake

The Bucko Lake property is underlain by Archean gneisses and Proterozoic ultramafic intrusive rocks. The Archean magmatic gneisses have been subdivided into granite gneiss, amphibole gneiss and amphibolite

The Archean gneisses were intruded by Aphebian ultramafic sills including the Bucko Lake Ultramafic which hosts the nickel mineralization on the property. The Bucko Lake Ultramafic sill is on the northeast flank of the Resting Lake intrusion. The footwall contact of the deposit comes in close contact to granodiorite gneiss associated with this intrusion.

The Bucko Lake ultramafic sill is primarily composed of metamorphosed peridotite and dunite with lesser amounts of olivine orthopyroxenite, poikilitic harzburgite, orthopyroxenite and amphibole bearing peridotite. It has been interpreted as a hook shaped body dipping steeply (75- 80 degrees) to the east. It is approximately 20m wide at the south end, gradually increasing to over 150m wide at the north end where it wraps around the nose of a synformal fold structure plunging steeply to the south. A strike length of approximately 800m has been determined from its north-south trace on the surface.

Contacts of the ultramafic rocks with the surrounding country rocks are usually obscured by alteration, shearing or late stage pegmatite dikes. Blocks of amphibolite rich gneiss called plagioclase amphibole occur in the northern part of the ultramafic sill. The larger xenoliths occur within a distinct bulge or keel in the footwall of the ultramafics adjacent to the Hinge Zone. These blocks appear to be xenoliths of country rock incorporated into the sill during its emplacement.

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

7.2.2 Bowden Properties

Like the Bucko Property, the Bowden Property (M11A, Bowden Lake and Apex) is underlain by Archean magmatic gneisses and Opswagan Group (Manasan Formation) metasediments hosting concordant ultramafic rocks. The western portion of the Lease is underlain by an amphibole quartz monzonite believed to be an extension of the Resting Lake Pluton. The full extent of the Opswagan Group metasedimentary sequence in this area is poorly understood.

The Bowden Nickel Deposit lies within a faulted, folded and pegmatite intruded altered ultramafic-mafic complex enveloped by mafic to felsic gneisses. The Bowden deposit consists of a large number of variable sized elongate lenticular disseminated sulfide bodies. They all occur within ultramafic horizons but show no consistent relationship to either structural footwall or hanging wall contacts.

On the M11A mining lease a variable sized elongate lenticular disseminated sulfide body was defined. It occurs within an ultramafic horizon. The M11A mineralized lens strikes over 500 meters at N050° before splitting in two limbs (N-NE and E) over 250 meters. The horizontal thickness varies from 6 to 120 meters.

7.2.3 Halfway Lake Property

The Halfway Lake property is underlain by an Archean banded magmatic gneiss complex, which includes plagioclase-quartz-biotite-hornblende gneisses (granite to granodiorite gneisses), hornblende-biotite gneisses and amphibolite rocks. Younger felsic feldspar-quartz (± biotite) pegmatitic dykes and intrusions cross cut and intrude all gneissic lithologies. The more amphibole and biotite-rich gneisses and amphibolites may be the metamorphic equivalent of upper Ospwagan mafic volcanic rocks. Ultramafic (peridotite and pyroxenite) bodies, invariably altered to serpentinite, tremolite, anthophyllite with minor biotite, talc and chlorite, have been drill intersected in several localities within the Halfway Lake property. Ultramafic lithologies do not outcrop in this area. Several of these bodies are weakly Nickel bearing. Pyrrhotite and pyrite rich gneissic horizons adjacent to ultramafic bodies were also intersected in several locations.

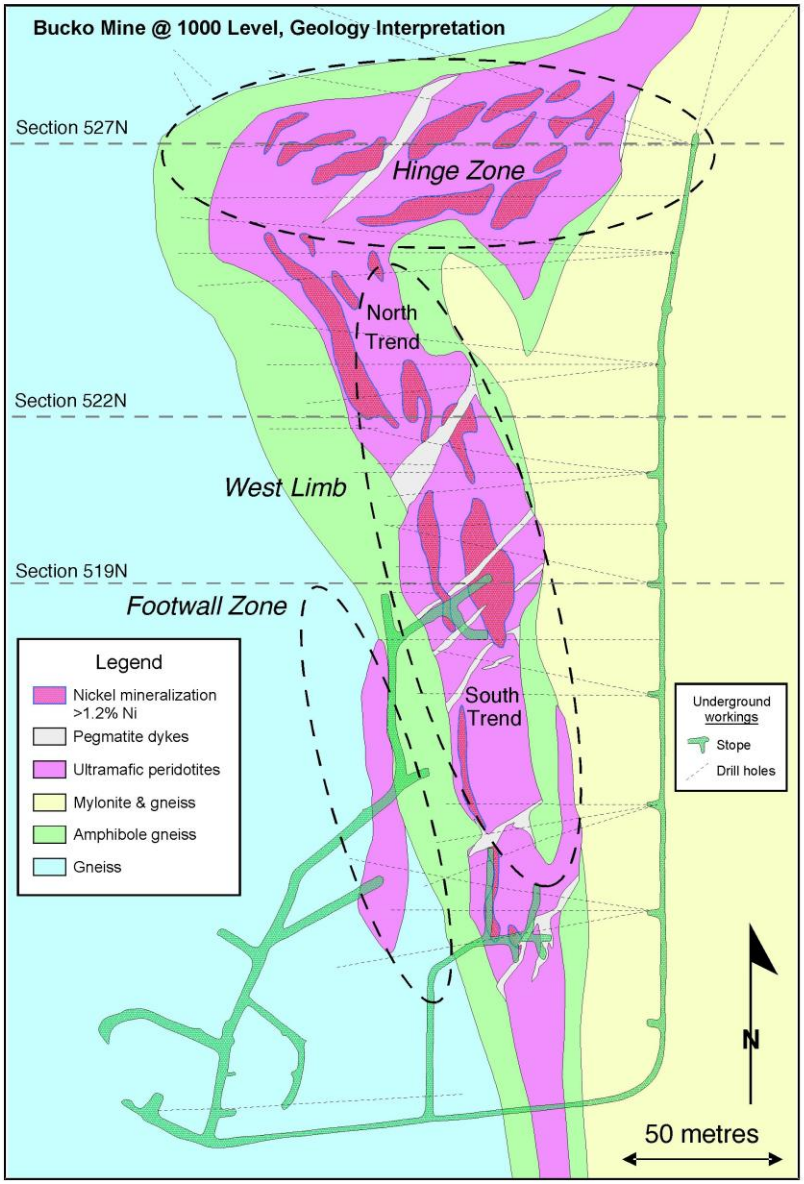
7.3 Mineralization

7.3.1 Bucko Lake

Three areas of nickel mineralization are currently recognized within the Bucko Lake deposit.

- The West Limb or western limb of the structure. The Lower, Middle, and Upper Zones follow interpreted continuity in elevated mineralization between drill intercepts through corresponding portions of the intrusion. Two corridors of elevated nickel within this area are referred to as the North and South trends.
- The Hinge Zone occupies the “hinge” area between the western and eastern fold limbs and represents the northernmost portion of the deposit and consists of three zones of mineralization interpreted to be folded extensions to the Lower, Middle, and Upper Zones observed on the West Limb.
- The Footwall Zone represents a new mineralized horizon that was intersected during the course of infill drilling and driving footwall development on the 1,000 foot (308.4 m) level in 2008. This zone is interpreted to ties within mineralization intersected by historical exploration drill holes near the southern limit of drilling on the 1,400 foot (426.7 m) level.

Figure 7. Bucko Lake 1000 Foot (304.8 m) Elevation Geological Interpretation



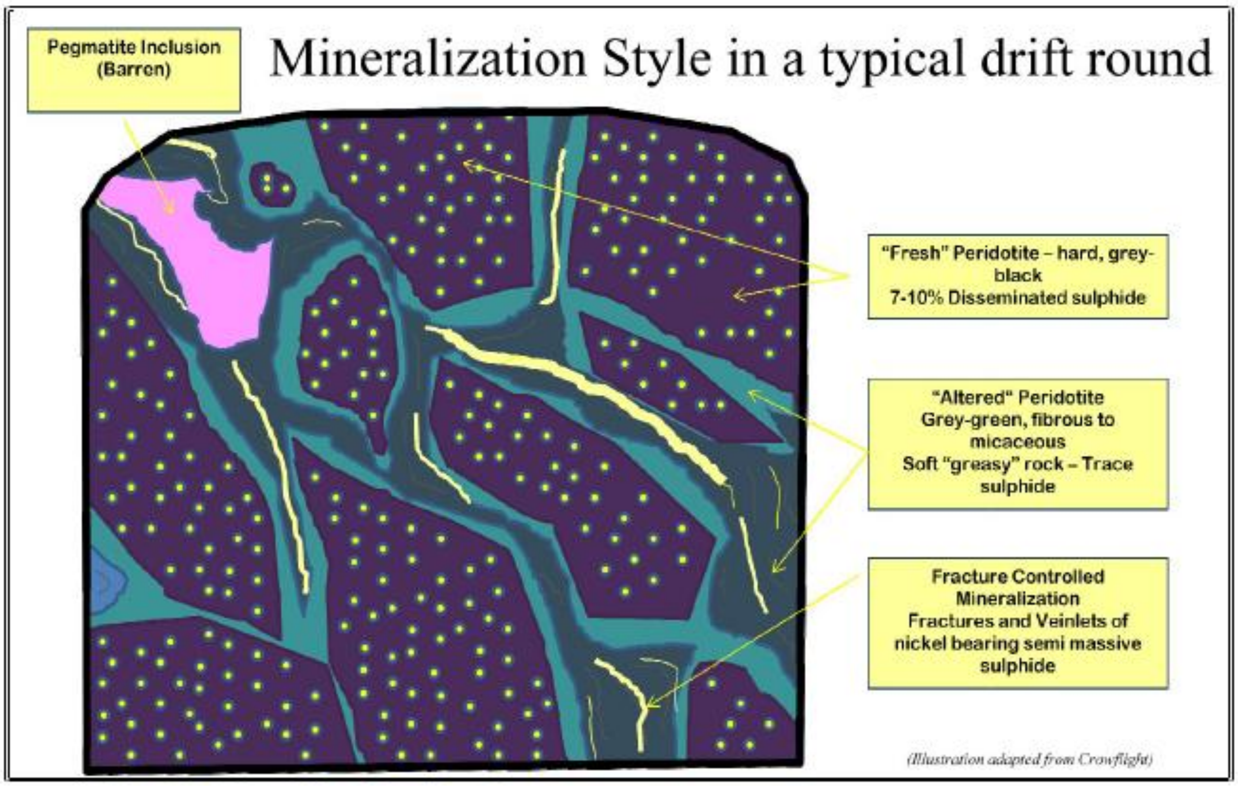
Source: Crowflight Minerals, Inc. NI 43-101 Report 2009

Wide zones of lower grade disseminated mineralization (usually >1.0% Ni) typically envelope higher grade net textured to semi-massive sulphide layers or shoots (>3% Ni) within segregated portions of the ultramafic intrusion. Mineralization consists of disseminated to net textured sulfides containing (in order of relative abundance) pentlandite, pyrrhotite, mackinawite, pyrite, and chalcopyrite.

A network of remobilized sulphide veinlets ranging from the millimeter to several meter scale are associated with a fracture controlled talc/tremolite/phlogopite/anthophyllite alteration network that overprints the intrusion. Sulfides are also observed along altered contacts with pegmatite dykes cross-cutting the intrusion.

Figure 8 depicts the style of mineralization interpreted from mapping in the face of a typical underground heading.

Figure 8. Graphic Representation of Mineralization at Underground Heading



Source: Crowflight Minerals, Inc. Resource Model Update Report, January, 2010

7.3.2 Bowden Properties (M11A, Apex and Bowden Lake)

At the Bowden Properties, primary Ni sulfide mineralization occurs as disseminations interstitial to metasomatized olivine grains. Net textured sulfides have also been observed locally in the peridotites. The sulfides consist of pyrrhotite, pentlandite, pyrite, chalcopyrite, and mackinawite. Minor accessory violarite and millerite may also be present.

Stringer-type mineralization is present in proximity to the pegmatites and consists of hydrothermally remobilized veins and stringers. These are usually massive to semi-massive and contain variable amounts of pyrrhotite, pentlandite, pyrite and chalcopyrite.

7.3.3 Halfway Lake Property

The Halfway Lake property is a mineralized ultramafic body in the northeast portion of the property and is Nickel bearing. The past and recent drill holes have revealed significant results included a zone of 1.19% Nickel over 7.97 meters (Hole # HW94-02); 1.25% Nickel over 5.72 meters (Hole # HW96-08), and the best interval to date gave 1.38% Nickel over 17.55 meters (Hole # HW95-05).

8. DEPOSIT TYPES

The nickel deposits of Manitoba are concentrated in the Thompson Nickel Belt. The Nickel Belt forms part of the "Churchill-Superior Boundary Zone", a pronounced linear break separating the Archean Superior and Proterozoic Churchill Provinces. This zone has a distinctive gravity and magnetic signature.

Rock units within the Nickel Belt are subdivided into an eastern megmatic gneiss unit and a narrower zone of metasediments and metavolcanics along the Belt's western margin. A major fault zone, referred to as the Setting Lake Lineament, forms the western boundary of the Nickel Belt.

In this zone Nickel deposits fall within three categories:

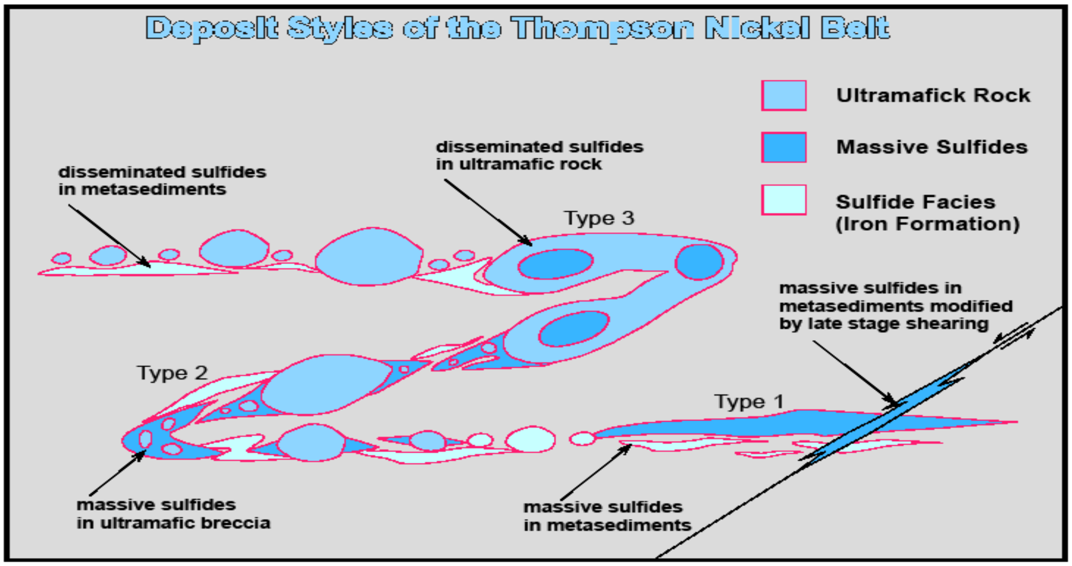
- Thompson-style mineralization that consists of laterally extensive strongly deformed massive sulfide horizon with a characteristic metasedimentary sequence (Thompson Band sediment). The high-grade, very large tonnage Thompson deposits provide the majority of Vale's Manitoba production.

- Birchtree-style mineralization consisting of brecciated semi-massive to massive structurally remobilized nickel sulphide mineralization associated with brecciated terminations to mineralized ultramafic intrusions.

- Disseminated to semi-massive sulfides in serpentinized peridotite. These tend to be large tonnage, low-grade deposits but may contain high-grade cores within a low tonnage host. Host serpentinite may occur within the metasedimentary (e.g. Pipe mine) or gneiss units (e.g. Bucko Lake mine)

Recent discoveries in the southern part of the Thompson Nickel belt (Manibridge, Bucko Lake, Bowden, M11A, and Apex Zone) are of the latter type. CaNickel is currently exploring for ultramafic-associated hosted disseminated nickel sulfide deposits similar to those known to occur in the area including the nearby Bucko Lake deposit, Bowden Lake prospect, M11A project, Apex prospect and the Halfway Lake prospect area to the north.

Figure 9. Deposit Styles of the Thompson Nickel Belt



Source: Crowflight Minerals Inc., NI 43-101 Report 2009

The Nickel sulfide mineralization at Bucko Lake consists of disseminated to net textured nickel sulfides ranging in concentration from 1-50% by volume which are locally remobilized along fractures within the ultramafic intrusion and along contacts with pegmatite and gneiss. In some respects the deposit is typical of komatiitic dunite-associated deposits described by Lesher and Groves (1984).

Sulfide mineralogy consists of, in order of relative abundance: pendlandite, pyrrhotite, pyrite, chalcopyrite with minor mackinawite, violarite, and cubanite. The abundance of copper and associated platinum, palladium, and gold elements is relatively low in contrast to komatiite hosted nickel sulfide deposits located elsewhere in the world. The loss of these elements may have been due to metasomatic alteration next to granitic or pegmatitic dykes.

Broad zones of disseminated lower grade mineralization (>1.0% nickel) typically envelope higher grade net textured to semi-massive sulfide layers or shoots (>3% nickel) within segregated portions of the ultramafic intrusion. The overall appearance of the occurrence is one of a brecciated mass with sub-angular breccias frags of mineralized ore are often rimmed with a mass of altered tremolite. This ‘breccia’ creates unequal breakage and subsequent weakness of unsupported faces. A network of remobilized sulfide veinlets range from millimeter to meter size and are associated with a fracture controlled talc/tremolite/phlogopite/anthophyllite alteration network that overprints the intrusion. Sulfides are found along altered contacts with pegmatite dikes that cross-cut the intrusion.

9. EXPLORATION

9.1 Bucko Lake

Surface work is very restricted on the nickel prospects in this part of Manitoba because of limited rock exposures. Lakes cover much of the area and initial exploration along the Thompson Nickel belt relies largely on ground and airborne geophysical surveys (mainly gravity and magnetics) to locate areas of potential nickel mineralization.

The Bucko Lake Project has been actively explored since 1959, mainly by Falconbridge Ltd. and Crowflight Minerals. Beginning in 1962, Falconbridge conducted numerous follow up geophysical surveys with some additional surveys done in 1990, specifically ground and airborne magnetic and electromagnetic (EM) surveys. In addition, many down-hole EM surveys were done on selected drill holes. The final geophysical surveys were done in 2004.

Initial exploration drilling began in 1962 with diamond drill core holes on the east side of Bucko Lake. In 1972 a decline shaft was sunk to 305 meters depth, after which the drilling consisted solely of underground drill holes designed to follow the nickel mineralization to depths of 800 meters. A report by P&E Mining Consultants Inc. in 2005 entitled “Technical Report and Resource Estimate on the Bucko Lake Property, The Pas Mining District, Manitoba, Canada” provided resource estimates for the mineralization discovered up to then and highlighted several areas where additional drilling could result in expansion of the resource. Crowflight began extensive drilling in 2006 to verify the location, shape and quality of this mineralization to enhance the economics of the project. The same year (2006) Micon reported a reserve for the Bucko Lake Project in a report entitled “Feasibility Study for the Bucko Lake Nickel Deposit, Wabowden Manitoba” and in the following year (2007) Micon produced an updated report entitled “Technical Report on the Updated Bucko Lake Nickel Project Feasibility Study, Bowden, Manitoba.”

As of early 2009, surface and underground diamond drilling at Bucko Lake consisted of 157 holes totaling 45,929 meters. In mid-2010, subsequent to the Crowflight/CaNickel merger, CaNickel drilled infill and exploration holes to further define and expand the resources, but no surface or underground drilling has been done since then.

9.2 Bowden Properties (Bowden Lake, Apex and M11A)

Between 2007 and 2008 Crowflight drilled a total of 6 NQ holes were completed during the period for a total of 2033.12 meters drilled. More Core Diamond Drilling Services Limited of Stewart, BC was contracted to complete the drilling.

Between 2009 to 2010 Crowflight drilled a total of 18 NQ holes were completed during the reporting period for a total of 6,675 meters drilled. Drilling services were supplied by Foraco Canada Ltd. of North Bay, Ontario.

The 2007-2010 drill programs were managed by Crowflight personnel and consultants. Drill supervision and core logging/sampling services were provided by supervising geologists J. Gregory Collins, P.Geo (Lakefield, ON), Michael Collison P.Geo, (Toronto, ON), Greg Lockhart, GIT (Sudbury, ON), and Iain Miller (Sudbury, ON). Core sampling services were provided by Ian Hamilton (Winnipeg, MB), Joe Fourre (Wabowden, MB), and Johnny Harvey (Wabowden, MB). . The core for the Thompson Nickel Belt South project was logged, processed (sample cutting and shipping), and stored at the field office in Wabowden, Manitoba.

Drill sites were inspected and photographed by Crowflight and CaNickel personnel, and cleaned if necessary. After the drill sites were deemed clean by Crowflight and CaNickel personnel, Manitoba Conservation officers were notified of the completion of drilling so they could do their own inspection. For holes drilled on land; either casing was left in the hole and the hole was or will be capped, or the hole was marked with a picket. All drill site locations were marked with hole number, depth, azimuth, and dip. The information was recorded on aluminum tags attached to the marking stake, or on casing caps where casing was left in-hole.

A differential GPS system was used to pick locate 5 historical holes and 5 holes (M09-01, 02, 03, 05, and 06) from the 2009 program that were completed at the time. Coordinates for all other drill hole sites were located by hand-held GPS prior to drilling. Drill holes were all surveyed using a Reflex Single-Shot instrument approximately every 50m down the hole.

The M11A prospect was drilled in 2005 by Crowflight and through 2009 they drilled 40 holes totaling 15,415 meters. Since the Crowflight/CaNickel merger in 2011, CaNickel drilled another 23 surface drill holes totaling 12,328 meters.

10. DRILLING

10.1 Drilling Summary

All drilling at Bucko Lake Mine and Satellite Properties since the early 1960's was done by CaNickel, CaNickel's predecessor company, Crowflight, or prior companies and consists of 625 holes totaling 143,645 meters; see Table 2 below (from Mr. James Wong, P. Geo., Canickel, July, 2012). Drilling at the satellite deposits M11A (since 2005), Bowden Lake, Apex and Halfway Lake were drilled both by CaNickel, Crowflight and Falconbridge consists of 150 holes totaling 61,152 meters of which 63 holes totaling 27,743 meters were for the satellite deposit M11A which is closest to the Bucko Mine. To date, approximately 12,040 assays have been taken at Bucko Lake and 9,321 at M11A. All diamond drill programs were designed, managed, logged, sampled and interpreted by employees or consultants of Crowflight, CaNickel and Falconbridge.

Table 4 Summary of Drilling Bucko Lake and Satellite Properties since the 1960's

Company Name	Year	Property	Metres	Number
			Drilled	of holes
Crowflight	2007-2008	Halfway Lake	5,734	13
CaNickel/Crowflight	2005-2012	M11A	27,743	63
Crowflight	2007-2008	Apex	4,263	13
Falconbridge/Crowflight	1960-2005	Bowden Lake	23,412	61
Subtotal Satellite			61,152	150
Crowflight	1962-2008	Bucko Lake	101,174	340
CaNickel/Crowflight	2009-2012	Bucko Lake	42,471	285
Subtotal Bucko			143,645	625
Grand Total			204,797	775

Source: Mr. James Wong, CaNickel, July 2012

The drilling at Bucko Lake was done from both surface and underground collar locations, whereas only surface drilling has been done at M11A. Surface drilling typically consists of NQ sized (47.6 mm) core holes; underground drilling consists of BQ sized (36.5 mm) core holes. The collar positions of most of the Crowflight/CaNickel surface drill holes have been surveyed by DGPS and recorded as UTM coordinates using a NAD 83 Zone 14 projection system. The collar positions are then converted to a local mine coordinate system using an orthographic projection system based on an assigned shaft elevation of 304.8 meters. The eastings and nothings are translated without rotation by subtracting 520,000 meters from the UTM Easting and 6,000,000 from the UTM Northing. This local grid system is used for surface and underground engineering design and resource modeling. Underground drill hole collars are spotted and aligned prior to completion using standard underground survey methods and picked up again following completion of drilling at each set-up.

All down-hole surveys are completed at 30m intervals using an electronic single shot survey instrument (such as Reflex EZ-Shot or Flex-it), which accurately measures azimuth, inclination, magnetic tool face angle, gravity roll angle, magnetic field strength and temperature. Azimuths from the tool are based on measurements of magnetic field strength. Due to the presence of magnetic minerals in the Bucko and M11A mineralization, a careful review of all magnetic field strength data is necessary to insure that inaccurate azimuth readings are culled from the drill database. During 2011 and 2012, a number of drill holes were re-surveyed using a Reflex Maxibor instrument.

10.2 Bucko Lake and M11A

All Bucko and M11A core is logged either at the Bucko Mine on-site core facility or at CaNickel's exploration core shack in Wabowden, and then stored in a secure facility in Wabowden. Core is logged directly into a secure SQL server-based drill database using software developed for use in conjunction with Amine, the company's current standard engineering design software platform. The Amine logging software ensures the use of standard codes for rock types, minerals, alteration and structure.

Geotechnical logging to determine core recovery, RQD and other parameters is completed on site by a geo-technician following the procedures of Golder Associates Ltd. for the purposes of determining rock mass rating (RMR) for the rock types encountered at Bucko and M11A. All logging information is uploaded to a central drill database located at site where it is accessed and utilized for geological interpretation and engineering design use.

After logging, marking and tagging – and before sampling – the core is photographed first dry, then wet. The photographs are stored on CaNickel's central server on site. Access to the server and the drill database is limited to authorized geology personnel only.

The historical Falconbridge drill database was audited by independent consultants, P&E, in 2005 for Crowflight (now CaNickel) and was found to be accurate with respect to position, geology and assay information. Information from this historical database reconciles well with information from the recent Crowflight/CaNickel drilling programs and underground mapping, including several breakthrough holes identified in 2008 on the 1000 foot (304.8 m) mining level.

The core sampling done by Crowflight from 2004 to 2008 followed protocols developed by Falconbridge entitled "Thompson Nickel Belt South – Diamond Drill Standard Procedures, an adaptation of the El Morrow Protocol Generic Drill Site Standard Operating Procedures (Noranda) and the Raglan Diamond Drill Standard Procedures Manual," which is available and understood by all CaNickel staff. Under this protocol core intervals do not overlap geological contacts or changes in concentration of mineralization. Average core recovery is 95% in mineralized zones. Zones of poor core recovery tend to occur in areas cut by structure and alteration. Sulfide content in some cases may be underestimated due to core recovery however the authors do not consider this to be a factor of material importance.

All casings of completed holes are left in the hole and capped. Site locations are marked by a stake affixed with aluminum tags containing hole number, depth, azimuth, and dip. Underground holes are plugged and marked with metal tags containing hole name information.

10.3 Bowden Lake, Apex and Halfway Lake

Falconbridge between 1960 and 1996 drilled 61 holes at the Bowden Lake property for 23,412 meters. Crowflight drilled another 7 holes in 2005.

In 2007 to 2008 Crowflight drilled 13 holes at the Apex property totaling 4,263 meters. These holes were used to determine the 2008 inferred mineral resource estimate.

At Halfway Lake, between 1960 and 1970, Falconbridge carried out a diamond drill campaign totaling 36 holes on the property testing shallow targets. Between 1994 and 1996, Falconbridge drilled another 13 diamond drill holes focused on a mineralized ultramafic in the southwest of the property. In 2007-2008, Crowflight drilled another 13 holes totaling 5,734 meters. The 2008 inferred mineral resource estimate used 9 of the Falconbridge holes and 4 of the Crowflight holes for a total of 13 holes.

10.4 Drill Hole Location

Drill hole sites were located by hand-held GPS prior to drilling. The accuracy of hole position using this method is estimated to be +/- 5m. Final collar coordinates were obtained for 10 of the holes completed using a more accurate differential GPS system providing sub-cm scale accuracy. All coordinates are provided in NAD 83, UTM Zone 14 projection.

10.5 Down Hole Survey

During the drill program, drill hole azimuths and inclinations were measured by the drilling contractor approximately every 30m using a single shot Reflex EZ-Trac instrument (measured relative to magnetic north). A copy of the single shot Reflex survey reports from the drilling contractor were collected daily, verified, corrected for magnetic declination and entered directly in the Gemcom database.

This report details the work performed by Crowflight Minerals Inc. and CaNickel during the time period of November 1, 2009 to April 1, 2012. Exploration work consisted of: drill road and pad preparation and remediation; diamond drilling; and core sampling/assaying.

Work completed through April, 2012 has resulted in the better definition of mineralization in the previously estimated Inferred resource at M11A prospect, and demonstrated that the mineralization is open at depth.

11. SAMPLE PREPARATION, SECURITY AND ANALYSIS

11.1 Bucko Lake

CaNickel prepares its core samples at the company's secure core facilities in Wabowden. The samples consist of NQ sized (47.6 mm) diamond drill core for most surface drill holes and smaller BQ sized core (36.5 mm) from underground drilling. The NQ core from surface drilling is split in half using a diamond blade rock saw, whereas the smaller BQ core from underground infill (definition) drilling is mainly whole sampled after it has been logged and photographed. Only a couple of samples from each drill section were selected to split in 2007 to 2009 underground definition drilling program. Core is stored in racks or cross stacked at Bucko Lake Mine Site. Samples are bagged with identification tags, bundled together in rice sacks on shrink wrap bound pallets, and shipped to independent accredited commercial laboratories for preparation and subsequent analysis.

All drill core samples, both from the earlier Crowflight drilling and CaNickel's subsequent drilling, have been sent to ALS Chemex in Thunder Bay for preparation and from there to ALS Chemex in Vancouver for analysis. ALS Chemex is a reputable international laboratory who has provided analytical services to the mining and mineral exploration industry in more than 15 countries. All ALS Chemex laboratories in Canada are registered under ISO 9001:2000 quality standard.

Samples received at the ALS Chemex preparation facility in Thunder Bay, Ontario, are verified against the submittal forms and weighed, and their subsequent preparation progress is then tracked and monitored by the Laboratory Information Management System (LIMS). The entire sample is crushed in a jaw crusher to 75% passing –10 mesh (2 mm). Sieve tests are completed periodically to monitor grain size variation. Samples are split in a riffle splitter to achieve a 200 to 225 g split. The sample splits are pulverized using a ring mill for approximately two minutes to achieve 85% passing –200 mesh. The pulp is sealed in paper envelopes affixed with a digital label and shipped via courier to the ALS Chemex analytical laboratory in Vancouver. A confirmation of shipping, including submittal form number, number of samples, and waybill number is e-mailed from the sample preparation laboratory to the CaNickel Quality Assurance and Quality Control (QA/QC) geologist.

At the ALS analytical facility in Vancouver, the sample pulps are again verified against the submittal form, logged as 'received' into the SGS LIMS, and then posted to the laboratory's secure website, where their progress may be monitored by authorized staff. For Ni, Cu, Co, Pb, Zn, Fe and S, 0.2 g of the pulp is fused with 2.6 g of sodium peroxide at 650ºC. The resulting melt is cooled and dissolved in dilute nitric acid. The solution is analyzed by ICP-AES and the results corrected for spectral interference. Calibration solutions for the ICE-AES must be prepared in a similar fashion to achieve matrix matching. Detection limits are 0.01% for both Ni and Cu, and 0.001% for Co.

ALS manages its internal QA/QC using procedures to ensure proper tracking of samples during sample preparation is followed and its analytical equipment is properly calibrated. Results from each batch of samples prepared by ALS are presented in a certificate of analysis accompanied by a QA/QC statement, ensuring that the lab's internal QA/QC procedures are transparent and effective.

11.2 Bowden Properties (M11A, Apex, Bowden Lake)

With regards to CaNickel's standard internal QA/QC measures, one control standard was inserted every 25 samples and one blank were inserted per 40 samples. At M11A programs, a total of 12,724 samples were collected including core samples, standards and core blanks. Of the drill samples, 6,266 were assayed.

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

The maximum sample length was set at 1.5m, and the minimum sample length was 0.3m. Where numerous narrow (<0.3m) intersections of different rock type occurred, sample intervals were based on the dominance of one rock type over the other. In such cases the sample description identifies the rock types and their relative abundance. This situation arose most commonly with: the presence of deformed pegmatite dikes in the peridotite and altered ultramafic, the presence of peridotite and altered ultramafic xenolith in pegmatite dikes, and alternating peridotite and altered ultramafic sometimes with gradational contacts.

Within a lithology, sample intervals were based on observations of the alteration styles and intensity. In situations where more than one alteration type occurs over narrow intervals the sample limits were based on the most dominant alteration. Within rock types and alterations, sample intervals were based on sulfide abundance, texture and type.

As a rule of thumb, sample intervals had to reflect changes of ± 3-5% sulfide where the sulfide content was < 10%. In cases where the sulfide content ranges from 10-30%, sample intervals were determined by changes of ± 5-8% sulfide. Sample intervals within intersections containing > 30% sulfide were determined by changes of ± 10-20%. Wing samples up hole and down hole to close the sulfide zone were also taken.

As set by the Noranda Inc. / Falconbridge Limited/ CaNickel Drill Core Sampling and Analysis Protocol (version 2.0) at least one control standard per 25 samples and one blank were inserted per 50 samples. Three different internal control standards representing different grades were utilized and ideally the standard was selected with similar grade as the samples submitted.

The internal standards were made for the Xstrata's Laval Exploration Group in January 2000, and were mixed from rocks of the Raglan Mine. Twenty sub samples of each standard were submitted to Lakefield, Bondar-Glegg, TLS laboratories and X-Ral for a round-robin survey to determine the working values of the standard for nickel, copper, cobalt and sulfur. The nickel, copper, cobalt, sulfur, platinum and palladium means and accepted limits (mean ± 2 standard deviations) for the standards can be found in the following table.

Table 5 Statistical analyses of standard reference materials

Standard	Element	Mean	Std	Mean + 2 Std	Mean - 2 Std
EXS-1a	Ni (ppm)	2373.9	127.3	2628.5	2119.3
EXS-1a	Cu (ppm)	748	40.5	829	667
EXS-1a	Co (ppm)	91.8	9.8	111.4	70.5
EXS-1a	S (%)	0.63	0.023	0.676	0.584
EXS-1a	Pt (ppb)	71.5	8.5	88.5	54.5
EXS-1a	Pd (ppb)	191.2	6.2	203.6	178.8
RAG-2A	Ni (%)	1.084	0.046	1.223	0.991
RAG-2A	Cu (%)	0.274	0.012	0.299	0.25
RAG-2A	Co (%)	0.029	0.002	0.033	0.026
RAG-2A	S (%)	4.269	0.185	4.639	3.899
RAG-2A	Pt (ppm)	0.271	0.033	0.336	0.206
RAG-2A	Pd (ppm)	0.633	0.052	0.737	0.528
RAG-3A	Ni (%)	3.115	0.102	3.319	2.91
RAG-3A	Cu (%)	0.889	0.03	0.949	0.829
RAG-3A	Co (%)	0.064	0.004	0.072	0.057
RAG-3A	S (%)	10.19	0.417	11.025	9.357
RAG-3A	Pt (ppm)	0.541	0.055	0.651	0.432
RAG-3A	Pd (ppm)	1.483	0.134	1.751	1.215

Source: Geologica Groupe NI 43-101 Technical Report, 2005

The chosen blank was diamond drill core (NQ) pieces coming from the Bucko Mine composed of barren pegmatite. Low metal contents were confirmed through the previous year's delineation drilling at Bucko.

During the 2009-10 Bowden drill program, a total of 1,919 samples were collected including core samples, standards and blanks. QA/QC results were periodically reviewed and appropriate action taken when problems were detected as outlined in the Noranda QA/QC protocol. A review of the QA/QC is presented in the "Data Verification" section below.

Once all standards, blanks and (duplicates) were assembled, the core was shipped to ALS Chemex in Thunder Bay for preparation. The samples were ground transported by Gardewine North of Thompson.

To prevent potential tampering, samples were put in sealed plastic bags. A list of each sealed bag was submitted to the laboratory along with the sample list in each bag. On each bag the bag number, sample numbers and company name were clearly labeled.

Split core is stored in racks or cross-stacked at the Wabowden core storage area. All rejects and pulps were returned to Wabowden and properly stored to retain their integrity.

11.2.1 Sample Preparation, Analysis, and Security

All diamond drill core utilized during the 2009-10 drill program was sent to ALS Chemex in Thunder Bay for preparation. Prepared samples were subsequently analyzed in Vancouver. ALS Chemex is a reputable international laboratory which has provided analytical services to the mining and mineral exploration industry in more than 15 countries. All ALS Chemex laboratories in Canada are ISO 9001:2000 certified.

Upon reception in Thunder Bay, all samples were sorted and checked against the sample submission form before entering the preparation laboratory. All samples were subsequently dried at 70°C for at least two hours before sample preparation continued. Once weighed, all drill core samples were crushed to 95% passing 2mm, and then the whole sample was homogenized before taking the final split for the pulp. Once all samples were homogenized, a 250g split was selected to be pulverized using a LM-2 to 95% passing 75 μm. A final pulp of at least 100g was produced by splitting through an appropriate sized Jones splitter for analyses to ALS Chemex lab in Vancouver.

ALS Chemex was required to include internal specific quality control measures. Preparation duplicates were inserted every 20 samples and pulp duplicates every 10 samples for all analyses. The laboratory was also requested to use a preparation blank at least twice for each work order and insert in-house standards appropriate to the samples approximately every 20 samples. Particle size analysis (PSA) was also requested for the coarse reject and pulp for every 20 samples.

12. DATA VERIFICATION

12.1 Bucko Lake and M11A

All three authors of this report visited the Bucko Lake Mine area and M11A properties at various times from May 9 to May 15, 2012. Surface and underground data were reviewed in detail, numerous surface outcrops were examined, and samples were collected of representative drill core and underground workings for independent verification assays. Outcrop locations were verified with a GPS, documented with a digital camera, and compared against corresponding database entries and map postings.

The following table lists results of the verification sampling. The samples consist of five replicate drill core samples from Bucko Lake Mine area (samples GB-01, 02, 03, 04,05), three samples from underground workings at the Bucko Lake Mine (GB-06, 07, 08), one standard sample included as a check on the current analytical laboratory (GB-09), and three replicate samples of drill core from the M11A Project (GB-10, 11 and 12).

No verification sampling was conducted by the authors for the satellite prospects, Bowden Lake, Apex and Halfway Lake mentioned in this report. Instead, the authors use verification data from previous NI 43-101 Technical Reports, as these properties have had no work conducted on them since the 2009 report.

Table 6 Sample Assays and Comparison with Previous Analyses

Sample No.	Location and Dimension	Description (original assays are bold)	Lab Analysis Comparison (ActLabs.)	Ni % Different (from original)	Sump. Interval Meters
GB-01 **BL**	DH BK 06-25, core interval 571.68 to 572.6m	Undiff. Ultramafics with abundant sulfides, penlandite, pyrrhotite, sample # C025645, **10.25% Nickel**	**7.06% Nickel**	-31.12	0.92
GB-02 **BL**	DH BK 05-03, core interval 562.26 to 562.53m	Undiff. Ultramafics with abundant pentlandite and pyrrhotite, sample # MB001172, **12.6% Nickel**	**13.50% Nickel**	7.14	0.17
GB-03 **BL**	DH BK 05-03, core interval 561.3 to 562.26m	Undiff. Ultramafics with minor quartz and abundant sulfides, penlandite and pyrrrhotite, sample # MB001171, **1.75% Nickel**	**1.02% Nickel**	-41.71	0.96

GB-04 **BL**	DH BK 05-18, core interval 420-421m	Undiff. Ultramafics with abundant sulfides, pentlandite and pyrrhotite, sample # MB004242**, 6.28% Nickel**	**4.72% Nickel**	-24.84	1.00
GB-05 **BL**	DH BK 06-19A core interval 493-494m	Undiff. Ultramafics with moderate disseminated sulfides pentlandite and pyrrhotite, sample # MB004613, **1.40 % Nickel**	**1.50% Nickel**	7.14	1.00
GB-06 **BL**	900 foot level U/G, 1-1 stope	Select rock chip sample, across 3 inch (7.6 cm) wide sulfide vein for a length of 20 inches (51 cm), brass yellow pendlandite in serpentinite matrix	**16.50% Nickel**		0.51
GB-07 **BL**	900 foot level U/G, 7-7 heading	Select rock chip sample, horiz. 64 inches (163 cm), 4 ft (1.2m) above floor along rib, undiff. Ultramafics with disseminated sulfides	**1.06% Nickel**		1.63
GB-08 **BL**	500 foot level U/G, 1S5 Heading	Select rock chip sample, pod of high grade sulfide, penlandite, pyrrhotite with minor tremolite and undiff. Ultramafics	**19.10% Nickel**		0.25
GB-09	Standard, Ores,	**1.46% Nickel**	**1.52% Nickel**	4.11	Standard
GB-10 **M11A**	DH M09-11, core interval 296.25-297	Undif. Ultramafics, altered, abundant clay, friable with abundant sulfides, sample # C137937**, 5.49% Nickel**	**4.97% Nickel**	-9.47	0.75
GB-11 **M11A**	DH M09-11, core interval 297-297.5	Undiff. Ultramafics, altered at top grading to white quartz at bottom, minor sulfides, sample #C137938, **2.26% Nickel**	**1.54% Nickel**	-31.86	0.50
GB-12 **M11A**	DH M09-07 interval 263.8-264.3	Undiff. Ultramafics, brown/black friable micas and quartz with minor sulfides, sample # C137652, **3.22% Nickel**	**1.23% Nickel**	-61.80	0.50

The verification samples were all collected, secured and sent directly to the laboratory by two of the authors (Griffin and Broili). At no time were any employees or other associates of CaNickel advised in advance as to the location or identification of the samples to be collected. The drill core intervals were sampled by sawing and collecting one-half of the portion of the core remaining in the original core boxes, yielding a verification sample representing a one-quarter split of the core (except for a one-eighth split from hole GB-04). The authors sent the samples for preparation and assay to ActLabs (Toronto, ON), a different lab than used by Crowflight/CaNickel.

Assays returned on all the drill core verification samples confirm high-grade nickel values above the CaNickel/Crowflight ore-grade cutoff value. The values however show considerable variability from the original values reported for the same drill core intervals in the database. Assays from the five Bucko Lake Mine replicate core samples returned values from 7 percent greater to 42 percent less than the original reported values, those from the three M11A Project replicate core samples were from 9 to 62 percent less than the original values. The authors believe this variability between the verification assays compared with the values reported for the same drill core intervals in the original database values can be explained by (a) sample dilution from the quarter-core (or eighth-core in the case of GB-04) sample split size as compared to the original half-core sample splits, combined with (b) extreme coarseness of the nickel mineralization leading to a “nugget effect” in sampling. A third factor might be possible errors of the original laboratory.

The three underground samples (GB-06, 07, 08) from the Bucko Mine were collected from a mined area from which no previous assay values were available for comparison. These samples contained very coarse-grained mineralization and returned nickel values (16.50%, 1.06% and 19.10% Ni) that vary widely – both low and high – from the average mine grade. This observation lends credence to the author’s belief that assays of individual core or outcrop samples taken from this high-grade, coarse-grained mineral system can be expected to show wide variability, comparable perhaps to that shown in most coarse-grained gold systems mined throughout the world.

After thoroughly reviewing the Crowflight/CaNickel data, reconciling any significant differences, inconsistencies or omissions found in the data, and carefully considering the results of the verification sampling, the authors’ believe that the data available for these two projects have been sufficiently verified and are adequately reliable for purposes of this NI 43-101 Technical Report.

12.2 Bowden Properties (Bowden Lake and Apex)

All three authors of this report did not visit the Bowden Lake or Apex properties at any time. Drill sites were inspected and photographed by Crowflight personnel, and cleaned if necessary. After the drill sites were deemed clean by Crowflight personnel, Manitoba Conservation officers were notified of the completion of drilling so they could do their own inspection. For holes drilled on land; either casing was left in the hole and the hole was or will be capped, or the hole was marked with a picket. All drill site locations were marked with hole number, depth, azimuth, and dip. The information was recorded on aluminum tags attached to the marking stake, or on casing caps where casing was left in-hole. In December, a differential GPS system was used to pick locate 5 historical holes and 5 holes (M09-01,02,03,05, and 06) from the 2009 program that were completed at the time. Coordinates for all other drill hole sites were located by hand-held GPS prior to drilling. Drill holes were all surveyed using a Reflex Single-Shot instrument approximately every 30m down the hole.

12.3 Halfway Lake Property

All three authors of this report did not visit the Bowden Lake or Apex properties at any time. Falconbridge sampled the drill holes on the basis of lithological and mineralogical criteria with sample intervals varying from 0.30 to 3.04 meters in length. The drill core was sawn prior to sampling and TSL Laboratories (TSL) in Saskatoon assayed samples for Nickel. Copper and PGE's assays were not performed.

A.J. Beauregard, P. Geol., Geologica, a qualified person under NI 43-101, completed a site visit to the property in August 2004. Portions of August 10 to August 12 were spent either on the property, sampling and reviewing Falconbridge's drill core or reviewing data with Falconbridge and Crowflight personnel in Wabowden. Drill core samples (4 in total) were collected of half archived drill core from holes drilled by Falconbridge. These samples were collected kept secure and shipped to Vancouver, analyzed by ALS Chemex. Sample preparation and analytical procedures for the samples sent to ALS Chemex are as follows:

Sample Preparation
WEI-22 Received sample weight
LOG-22 Sample Login – received with no barcodes
CRU-31 Fine crushing – 70% <2 mm
SPL-21 Split sample – riffle splitter
PUL-31 Pulverize split to 85% <75 microns
Analytical Procedures
Cu-AA61 Trace Copper – four acid digestion AAS
Ni-AA61 Trace Copper – four acid digestion AAS
Co-AA61 Trace Copper – four acid digestion AAS
Ni-AA62 Ore grade Nickel – four acid / AA AAS
S-IR08 Total Sulfur (Leco) LECO

After consultation with Falconbridge, Geologica in 2005 chose the Nickel analytical package using AAS (total digestion) and Leco, Fire Assay and ICP that included Gold (1 ppb), Platinum (5 ppb), Palladium (1 ppb), Nickel (2 ppm), Copper (1 ppm), Cobalt (1 ppm), Sulfur (0.01%).

Assays were completed on the four (4) check samples that were collected from the selected Falconbridge diamond drill holes on the Halfway Lake property.

The results indicate that Nickel, Copper, Platinum, Palladium, Cobalt and Sulfur are present in the mineralized intervals sample, with positive correlation between original and half core samples. The correlation coefficient is 76% between Geologica samples and Falconbridge samples. Geologica found that logging was reasonable and to industry standard. Sample descriptions were also found to be reasonably representative. These results indicate that the laboratory's assaying is constant in their methodology.

13. MINERAL PROCESSING AND METALLURGICAL TESTING

Several metallurgical tests have been conducted to measure the methods and techniques that would best liberate the metals from the Bucko Lake Mine rock. Falconbridge initiated testing in the 1960’s at the Lakefield Research facility (now SGS-Lakefield Laboratories, a metallurgical testing laboratory in Ontario) and continued until 1991.

The overall design of the Bucko Lake Mill involved detailed studies of mineralogy, mineral processing and design and was coordinated and supervised by Micon International, Toronto, Canada. From 2005-2007 metallurgical test work was performed by G&T Metallurgical Laboratories, Kamloops, British Columbia. The process design for the mill is predominately based on this program.

In 2006 a new metallurgical sample comprising three major types of mineralization was studied. The purpose of this new program was to further investigate the effect of different types of MgO (magnesium oxide) mineralization on the metallurgical performance and to optimize certain processing parameters. A sample comprised of 160 half sawn core intervals of representatively mineralized rock weighing 380 kg was submitted to G&T Labs. This sample was considered to be more representative than the previous samples because of the greater number of samples and the greater spatial distribution throughout the deposit.

The sample was sub-characterized based on three mineralogical distinct ore types. Type 1 is characteristic of unaltered periodite consisting of fine disseminated interstitial to incipient net textured nickel sulfide in a relatively homogenous gangue assemblage consisting of orthopyroxene and amorphous serpentine minerals. When this rock was observed to contain greater than 50% fracture controlled to pervasive talc/tremolite/phlogopite/anthophyllite alteration by volume, it was classified as Type 2 Ore. Ore type 3 consists of fracture controlled to semi-massive nickel sulfide mineralization occurring along the margins of and with the interior of cross cutting pegmatite dykes observed throughout the ore body.

The process selected to produce a single primarily nickel concentrate is based on the interpretation of the results from the historic and 2005-2007 metallurgical test work programs. The basic process selected is primary crushing, grinding to 80% passing 98 microns, flotation to produce a single bulk concentrate, concentrate dewatering and tailings disposal.

The installed processing plant was based on these determinations and is currently designed to produce a nickel sulfide floatation concentrate at a rate of 1,000 tonnes per day but can be expanded to the rate of 1,500 tonnes per day with minimum capital investment and amended permitting.

14. MINERAL RESOURCE ESTIMATE – BUCKO LAKE MINE AND SATELLITE PROPERTIES

14.1 Mineral Resource Estimate for the Bucko Lake Mine

The resource estimates presented in this report were prepared by Crowflight/CaNickel under the supervision of Mr. Greg Collins, Vice President of Exploration for Crowflight, Mr. James H. Wong, Professional Engineer and Geologist, Chief Geologist for CaNickel (with assistance from Mr. Bill Schweng, President of WTS Technical Services and Mr. Shawn Romkey, BS Geo., Technical Services and Software consultants for CaNickel). The resource update was independently audited in May to August of 2012 (with a mine site visit from May 13 to May 16, 2012), by Mr. Paul L. Martin, Consulting Professional Mining Engineer and Qualified Person for the project in accordance with the Canadian Institute of Mining, Metal and Petroleum (CIM) definition and standards regarding Mineral Resources and Reserves. Mineral resources listed in this report are exclusive of reserves unless otherwise specified.

Determination of mineral resources are based on geostatistical block modeling using Gemcom Software utilizing the inverse distance squared method for grade interpolation. The CaNickel Engineers and Geologists are in the process of updating the Crowflight/CaNickel Gemcom model using new software, Flairbase Inc., Amine software, which can interface with AutoCAD software. Estimates for the 2012 Gemcom model update was based on information from 285 surface and underground diamond drill holes with actual mined stopes from 2009-2012 removed from the Gemcom block model. Composite lengths were based on 1.5 meter ideal interval within resource domain solids.

The bulk density of nickel mineralized material was based on bulk density measurements where data was available and a calculated determination of bulk density proportionate to a formula based on nickel content where data was absent.

Nickel model interpolation values were primarily established in the Measured Resource category based on a 20 meter diameter search ellipse. Indicated resources based on a 35 meter diameter search ellipse and Inferred Resources based on a 200 meter diameter search ellipse. Interpolated geological contacts at a 1.00% nickel cut-off grade were used to constrain domains used in the interpolation model.

14.1.2 Database

All drilling data was entered and reviewed by Crowflight and CaNickel after being verified as per company Quality Assurance Quality Control (QAQC) procedures. A Gemcom database was constructed consisting of pre 2010, 285 diamond drill holes of which 141 were drilled from underground and 144 were drilled from surface. The data base was updated in March of 2010 by Crowflight with additional drilling between 2009 and March, 2010. Drill hole collar location and down hole surveys have been checked and deficiencies were corrected against new GPS surveys and database verifications wherever possible. The database was verified in Gemcom and corrections were made in order to bring it to an error free status.

14.1.3 Data Verification

A total of 19,591 assay values are contained in the database. QAQC verification of all assay data added as part of the 2007-2010 drilling program was completed. A total of 22 data errors were observed and corrected, with the overall impact to the database being negligible. Assay from approximately 99% of the Nuinsco 2000-2001 and 100% of the Crowflight 2004-2010 assay data has been verified, representing 68% of the total database.

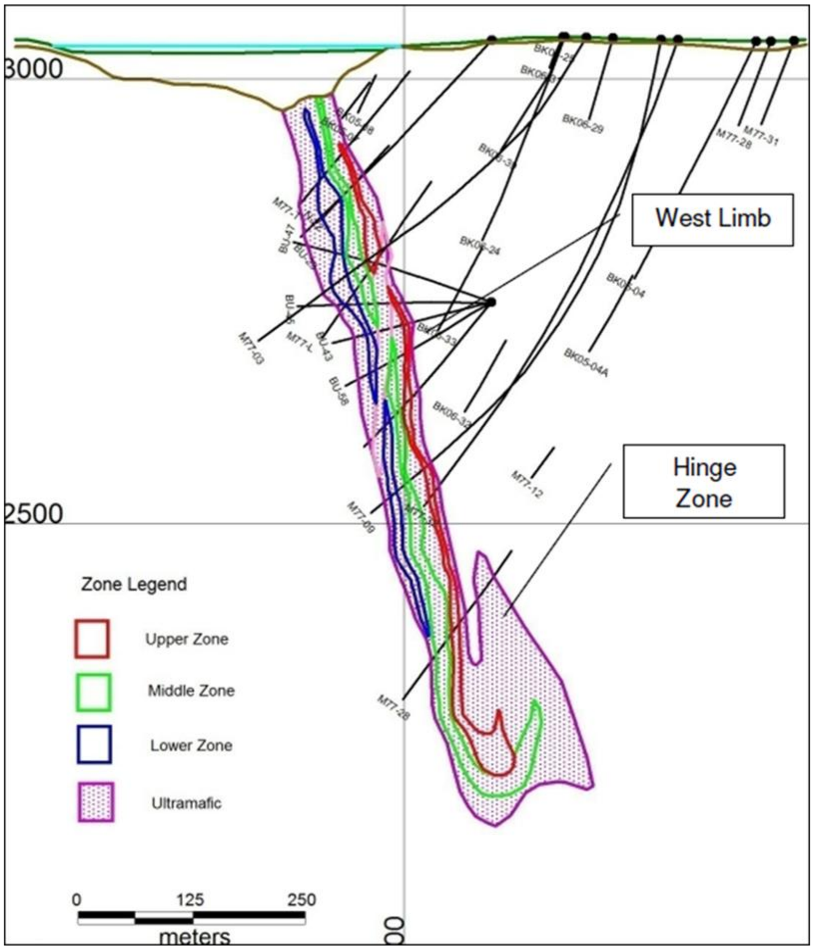
Database verification was also performed on drill hole collar locations, down-hole surveys and assay intervals. Corrections to surface drill hole collar locations and elevation were made based on location as determined by a DGPS survey and high resolution LIDAR topographic survey completed over the site area in 2007. Down-hole surveys were inspected and corrected where obvious input errors occurred. Any out of sequence or overlapping assay intervals were also checked and adjusted.

14.1.4 Domain Interpolation

Domain boundaries were determined from grade boundary interpolation constrained by lithological and structural controls determined from visual inspection of drill hole sections and level plans. These resource domains were physically created by computer screen digitizing on drill hole level plan sections in Gemcom by Crowflight personnel (now CaNickel personnel). The outlines were influenced by the selection of mineralized material above 1.00% Ni that demonstrated a lithological and structural zonal continuity along strike and down dip and that had a reasonable expectation of being profitably mined. In some cases, mineralization below 1.00% Ni was included for the purpose of maintaining zonal continuity. On each section, polyline interpretations were digitized from drill hole to drill hole but were not extended more than 25 meters into untested territory. The interpolated polylines from each section were wire-framed in Gemcom into 3-dimensional solids. The resulting solids (domains) were used for statistical analysis, grade interpolation, rock coding and resource reporting purposes.

Previous updates (November 2005, December, 2006, March, 2010) were based on three principal domains discussed in the previous section regarding geology and referred to respectively as Lower, Upper and Middle domains. The 2008, 2009, 2010 and 2012 updates expands the basis of interpolation with the further discussion of these original domains into Lower, Middle and Upper domains specific to each of the West Limb and Hinge Zone trends. In addition, new domains modeling the distribution of Pegmatite, and low grade material occurring peripheral to original resource domains were created. In total, nine domains were used to constrain interpolation for the updated block model.

Figure 10. Bucko Lake Mine Section 522 on 6081655mN Showing Modeled Domains



Source: Crowflight, NI 43-101 Technical Report, 2009

14.1.5 Rock Type Determination

The rock types used for the resource model were coded from the mineralized domain solids. The list of rock codes used follows:

Rock Code	Description
0	Air
5	Pegmatite
10	Lower Mineralized Domain (West Limb)
15	Lower Mineralized Domain (Hinge Zone)
20	Middle Mineralized Domain (West Limb)
25	Middle Mineralized Domain (Hinge Zone)
30	Upper Mineralized Domain (West Limb)

35	Upper Mineralized Domain (Hinge Zone)
40	Low Grade Domain (West Limb)
45	Low Grade Domain (Hinge Zone)
99	Waste Rock

14.1.6 Composites

Length weighted composites were generated for the drill hole data that fell within the constraints of the above mentioned domains. These lengths adjusted composites were calculated for Ni % and Cu % and were compared over ideal 1.50 meter lengths starting at the first point of intersection between the drill hole and the hangingwall of the 3-D zonal constraint ending at the last point of exit. Un-assayed intervals were introduced with a 0.25% Ni background grade so as to provide representative value to low grade internal dilution. The composite data was transferred to Gemcom extraction files for the grade interpolation as an X, Y, Z, Ni %, Cu % file for each domain.

14.1.7 Grade Capping

Grade capping was investigated utilizing the raw assay values in the database within each domain to ensure that the possible influence of erratic high values did not bias the database. Extraction files were created for constrained Ni % and Cu % data within each mineralized domain. From these extraction files, log normal histograms and log normal probability plots were generated for each domain group. Based on these plots, nickel values in excess of 8%, and copper values in excess of 1% were deemed to be effective values for grade capping to minimize the impact of these samples on the grade model.

14.1.8 Variography

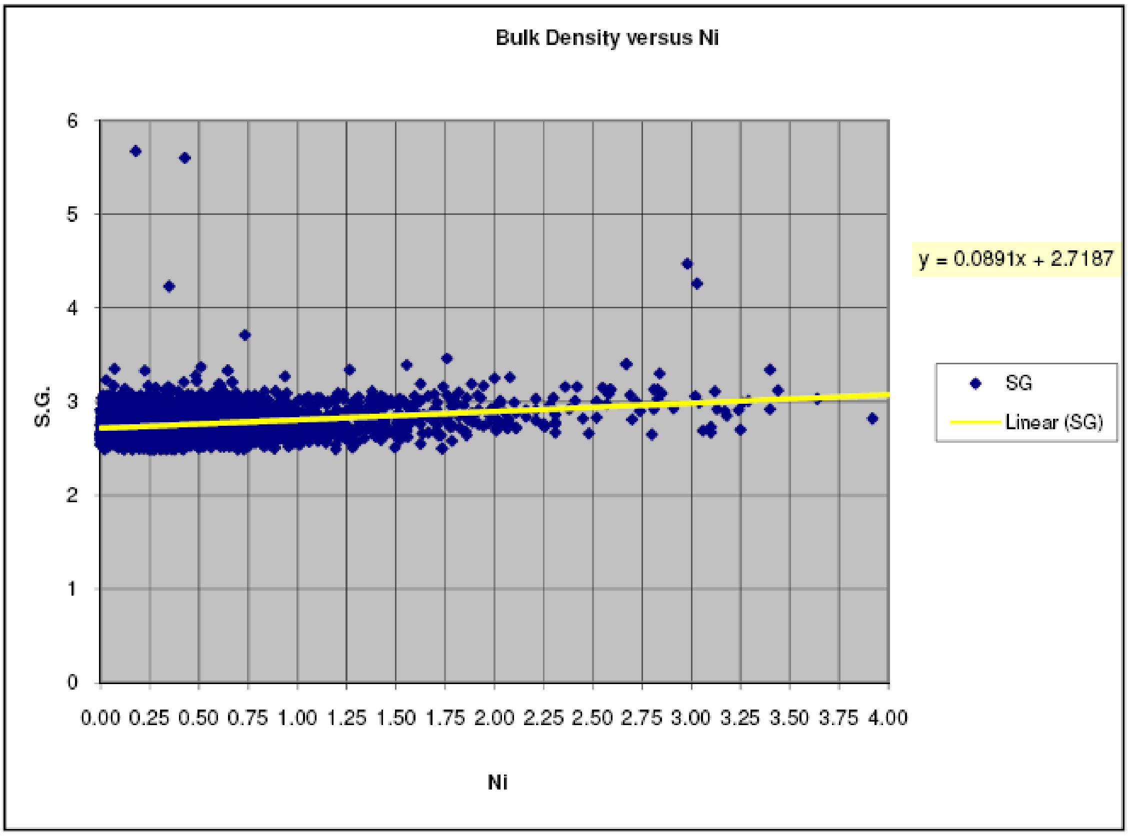
Variography was undertaken in 2008 on the constrained domain composites with limited success. The application of variography is limited due to the inconsistency variable nature of the deposit within individual mineral envelopes. The inconsistency results in un-representative comparative volumes that do not generate meaningful variograms. However, reasonable mineralized multi sectional continuity and grade was observed, in the Lower, Middle and Upper domains, to invoke sufficient confidence in search ellipse orientations consistent with the principle orientations of the modeled domains.

14.1.9 Bulk Density

The bulk density used for the resource model was derived from measurements of test work performed by ALS Chemex of Mississauga, Ontario in 2006. A review of the relationship between sulfur and nickel content established a positive linear correlation between the level of mineralization and observed bulk density. Based on this relationship, an equation was utilized to assign a modeled bulk density value to those assay samples in the database where no bulk density measurements had been taken.

Figure 11 depicts this relationship and presents the formula used to populate the historical assay database with representative bulk density values.

Figure 11. Bulk Density versus Nickel Content



Source: Crowflight, NI 43-101 Technical Report, 2009

A total of 2,830 bulk density measurements were taken from core samples collected in 2006. The average bulk density of samples containing greater than 1.4% nickel was 2.93 gm/cm3, with values of density ranging from 5.57 g/cm3 to 2.42 g/cm3.

14.1.10 Block Modeling

A block model framework was created in Gemcom consisting of 59,148,000 blocks that were 2 meters in X direction, 2 meters in Y direction and 2 meters in Z direction. There were 265 columns (X), 465 rows (Y) and 480 levels (Z). The model was not rotated. Separate block models were created for rock type, bulk density, resource classification, Ni% and Cu%. A new block model assigning values of rock mass rating or RMR was created based on drill hole geotechnical data to assist with engineering design at the mine.

The 2008-2012 models were designed on a Selective Mining Unit (SMU) basis for greater consistency with use of current design practice. As such, no percent model was created. Blocks occupying more than 50% within each domain were coded accordingly so that no volumetric overlap in block coding between domains could occur. As a result, the domain boundaries are properly represented by the block model on a scale practical for design and extraction.

The Ni% and Cu% composites were extracted from the Microsoft Access database composite table into separate files for each Mineralized Zone. Inverse distance squared grade interpolation (1/d2) was utilized in three interpolation passes to determine Measured, Indicated and Inferred classifications. Ni% and Cu% grade blocks were interpolated using the following parameters:

Table 7 Block Model Domain Interpolation Parameters

Profile	Az	Dip	Int.	Dip	Strike	Across Dip	Max #	Min #	Max #
			Az	Range	Range	Range	per Hole	Sample	Sample
	Deg	Deg	Deg	m	m	m			
Measured (W. Limb)	75	20	45	20	20	10	2	5	12
Measured (Hinge)	170	-70	80	20	20	10	2	5	12
Measured (Peg)	130	0	0	20	20	10	2	5	12
Indicated (W. Limb)	75	20	45	35	35	10	2	3	12
Indicated (Hinge)	170	-70	80	35	35	10	2	3	12
Indicated (Peg)	130	0	0	35	35	10	2	3	12
Inferred (W. Limb)	75	20	45	200	200	50	2	2	12
Inferred (Hinge)	170	-70	80	200	200	50	2	2	12

Source: Crowflight, NI 43-101 Technical Report, 2009

14.1.11 Resource Classification

For the purposes of this resource estimate, classifications were initially derived from the Measured, Indicated and Inferred search ranges and interpolation parameters from Table 8. Any grade block coded as Measured was denoted with code 1; Indicated was denoted with code 2 and inferred as code 3. Additional small areas of Indicated and Inferred material adjacent to or in between Measured and Indicated blocks were manually re-coded, so that consistent zones of classified material could be established.

The mineralization classification distribution at a 0.001% Ni cut-off for all domains is as follows:

Measured Grade Blocks	240,576 (5%)
Indicated Grade Blocks	1,984,467 (40%)
Inferred Grade Blocks	2,680,197 (55%)
Total Grade Blocks	4,905,240 (100%)

14.1.12 Resource Estimate

The Mineralized Zone resource estimate was derived by applying Ni cut-off grades to the block model and reporting the resulting tonnes and grade for potential mineable areas. The following calculations demonstrate the rationale supporting the 1.0% Ni cut-off grades that determined the potentially economic portion of the mineralized domains. Ni cut-off calculation parameters are listed in Table 9 below.

Starting in March, of 2012, CaNickel Mining Limited Bucko Mine has successfully converted primary underground mining methods from Overhand Cut and Fill (OHCF) to lower cost long hole stoping. The % Ni Cut-off grade used for the resource estimates is based on the long hole mining method.

The above data was derived from historical cost and milling data during early 2012. The rounded 1.00% Ni Cut-off grade for Measured, Indicated and Inferred Resources are presented in Table 8.

Table 8 Resource* estimate at 1.00% Ni Cut-off Grade (Exclusive of Reserves)
As of April 1, 2012

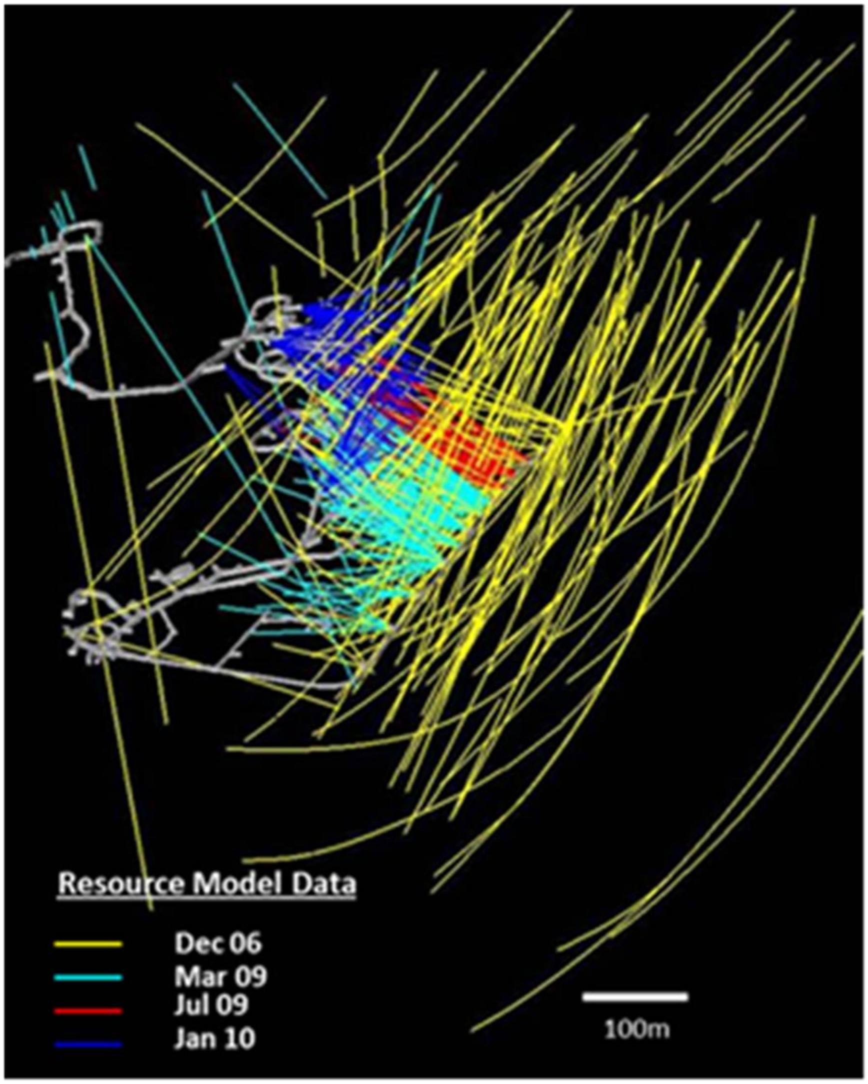
Classification	Cut-Off Grade	Tonnes	Ni %	Contained Nickel (lbs) Millions	Cu %	Contained Cu (lbs) Millions
Measured Resources	1.00%	751,000	1.37	22.68	0.11	1.82
Indicated Resources	1.00%	2,845,000	1.28	80.06	0.11	6.90
Inferred Resources	1.00%	5,043,000	1.41	156.90	0.11	12.23
exclusive of reserves						

Cautionary Statement:

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

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

Figure 12: Oblique Section looking NNE Showing Borehole Data for each of the Last Four Bucko Lake Mine Resource Estimates.



Source: Crowflight, NI 43-101 Technical Report, 2009

Table 9 Ni % Updated Resource Cut-off Grade Calculation Parameters (All currency is $US)

Parameters from CaNickel Monthly Report, Average Jan. and Feb., 2012			
Overhand Cut and Fill Method			
Parameter	Units	Value	
Ni Price	$/lb	$ 8.50	Average last 3 years
Mining Cost	$/tonne	$ 63.53	
Process Cost	$/tonne	$ 38.13	
Process Recovery	%	79%	
G/A	$/tonne	$ 7.84	
Concentrate Shipping	$/tonne	$ 60.00	
Concentrate Ratio	X:X	10:1	
Smelter Treatment Charge	$/tonne	$ 125.00	
Smelter Payables	%	90%	
Refining Charges	$/lb Ni	$ 0.60	
$ 128.00	$/tonne costs		
$ 12,000.74	$/tonne revenue		
1.07	**% Ni Cut-off grade for MI&I Mineral Resources**		
Cut-off Grade Formula =			
Costs	(Mining/t + Process/t + G/A/t) +((Smelter Cost/t + Conc Ship/t)/Conc Ratio)		
Revenue	(Nickel Price/lb X %Process Recov X %Smelter Payable) Less Refine/lb *2204.6 lb/t		
%Costs/Revenue =	% Ni Cut-off grade		
%Margin	0%	break-even for resources	

14.1.13 Resource Sensitivity

Resource estimate sensitivity is presented in Table 10. This was derived by applying a series of increasing Ni cut-off grades to the nine domains which constrain the grade model. In this table resources are shown inclusive of reserves. A resource sensitivity was not prepared for the 2012 update.

Table 10 2009 Resource Estimate Sensitivity (Inclusive of Reserves)

Cut-off	Measured		Indicated		Inferred	
Ni%	T X 1000	Ni%	T X 1000	Ni%	T X 1000	Ni%
3.00	36.40	3.93	125.80	3.67	31.00	3.43
2.50	63.90	3.41	280.10	3.15	60.30	3.07
2.00	129.00	2.81	659.50	2.61	221.10	2.43
1.40	359.90	2.06	2,255.20	1.92	1,686.30	1.68
1.25	487.70	1.87	3,163.40	1.74	2,909.00	1.52
1.15	613.00	1.73	4,011.30	1.63	4,000.10	1.43
1.00	854.30	1.54	5,613.20	1.47	5,467.80	1.34
0.80	1,261.30	1.34	8,382.10	1.28	7,901.70	1.20
0.01	5,340.20	0.61	44,062.90	0.54	60,524.10	0.47

Source: Crowflight, NI 43-101 Technical Report, 2009, updated 3/25/2010

14.1.14 Confirmation of Resource Estimate

The block model was first reviewed by visual inspection using sections and plan slices to ensure that grade interpolation honors the data and the domain boundaries. As a test of the reasonableness of the estimate, the block model was queried at a 0.001% Ni cut-off grade, with blocks in all classifications summed and their grades weighted averaged. This average is the average grade of all blocks within the mineralized domain. The values of the interpolated grades for the block model were compared to the length weighted capped average grades and average grade of composites of all samples from within the domain. The results are presented in Table 11.

Table 11 Comparison of Capped Assays, Composites and Block Model Average Grade

This table is from the 2009 Crowflight (now CaNickel Mining Ltd.) Technical Report

Category	Ni%	Cu%
Capped Assays	**0.68**	**0.05**
Composites	**0.60**	**0.04**
Block Model	**0.50**	**0.05**

The comparison above shows the average of all the blocks in the domain to be very close to the weighted average of all the capped assays and composites used for grade estimation. This analysis illustrates that though the interpolation of the resource data set the average grade calculated at each step for all of the data were consistent with the average grade for all of the original capped data. Therefore the data set does not appear to have been biased at any stage by the data interpolation process, including grade capping.

14.1.15 Independent Verification of Resources

The 2008 resource updates at Bucko were independently reviewed in 2009 by Mr. Eugene Puritch, P. Eng. of P&E Mining Consultants Inc. (“P&E”) of Brampton, Ontario. P&E conducted a verification of the estimates prepared by Crowflight (owner before CaNickel Ltd.) and was able to replicate the results within an acceptable margin of variance and concluded that the methodology employed by Crowflight (current owner is now CaNickel Mining Ltd.) is consistent with industry standards.

The 2012 resources updates at Bucko were independently reviewed in May and June of 2012 by Paul L. Martin, PE, a Consulting Registered Professional Mining Engineer of Post Falls, Idaho, for CaNickel Ltd. A verification of the updated estimates was conducted by Mr. Martin with the assistance of the CaNickel Mining Ltd. Bucko Mine Engineering and Geology Staff. The 2009 Crowflight block model has been updated by Crowflight in 2010 and CaNickel Mining Ltd., subtracting areas and volumes that have been mined from the model between the March 25, 2010 and March 31, 2012. Mr. Martin was able to verify the accuracy of the model through the preparation of reconciliation between model and actual production, the results are within an acceptable margin of variance, and Mr. Martin concluded that the methodology employed, initially by Crowflight, and currently by the new owner CaNickel Mining Ltd. Engineers and Geologists, is consistent with industry standards.

14.1.16 Added Historical Evaluation of Reconciliation Practices and Results

In addition to reviewing Bucko Mine nickel grade reconciliation data received from Crowflight for the period February to September 2010, SRK in December of 2010 for Crowflight now CaNickel Mining Ltd., also reviewed two additional reports. These reports were Desautels (2010), which describes an audit of the July 2009 Bucko Lake Mine resource model and Collins (2010), which describes a review of grade control issues in March 2010. These reports relate to limited 2010 production data, certain common themes emerge from these reports and those described by SRK.

The reconciliation of the surveyed drift rounds converted to individual polygons was compared to the January 2010 block model for the same volumes in 3D. For each round (illustrated as polygons in Figure 13) geology sampling and scoop sampling grade estimates have been compared to the block model.

Figure 13: Combined Estimated Geology – Plan View Scoop Nickel Grade Estimates shown within Polygons Representing Drift Round Advance.

Source: Source: SRK Updated Five Year Mine Plan for Bucko Lake, January, 2011

SRK investigated comparative drift round data from the five month period March to July 2010, as this period provided the most complete dataset for analyses. For this analysis outlier grades above 3.5 percent nickel were removed to eliminate local bias. Data from eighty-seven rounds on various production levels of Bucko Lake Mine were compared (geostatistically) in Table 12 and graphically in Figure 14.

Although considerable variance occurs between the grades of individual rounds, the geology samples generally compare well with scoop samples (Figure 13) and when combined these are also comparable to resource model grades when averaged over extended periods of time. Over the five month period analyzed, combined average geology and scoop nickel grades (after the removal of outliers) are only marginal lower than resource model grade (1.31 nickel percent model grade against 1.27 nickel percent geology-scoop grades). This suggests that although short term variations do occur, over the longer term that planned grades can be realized by grade control sampling.

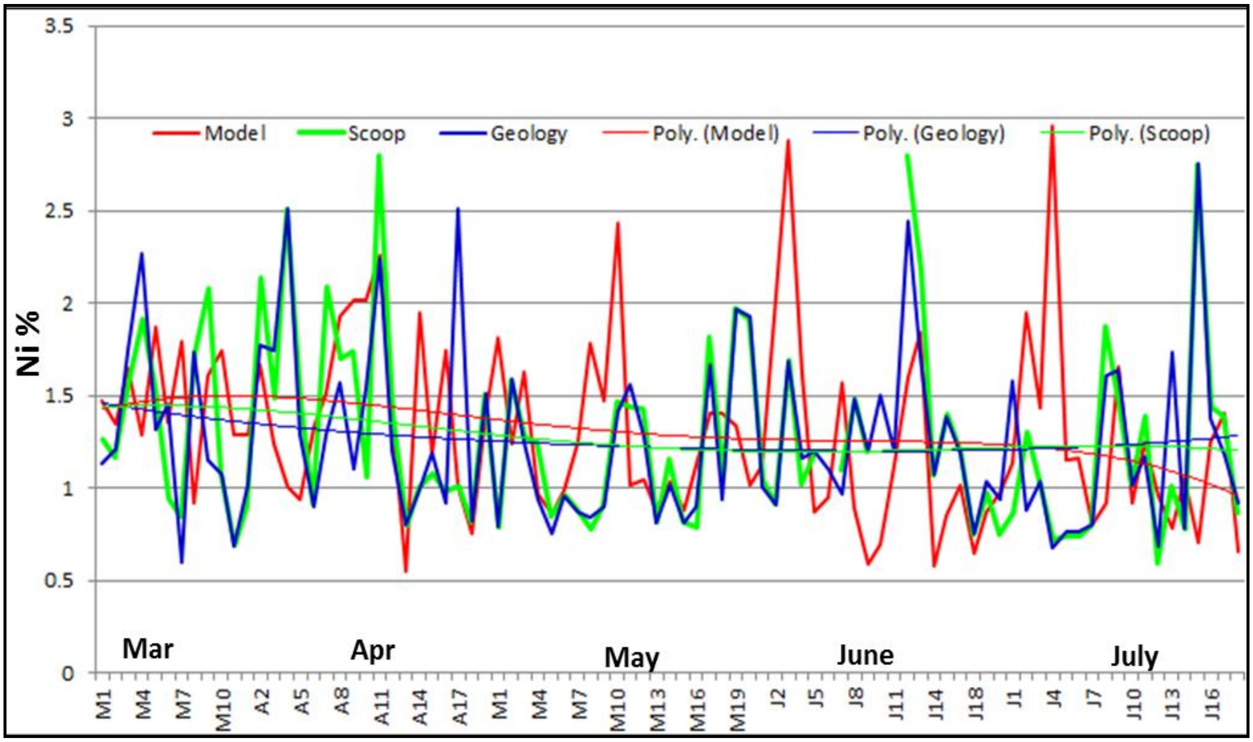
Drift round data was aggregated per month by SRK in 2011 and compared to the corresponding reported monthly mill feed grade (tabulated in Table 12). Over the five month period model-geology-scoop average nickel grade compare well with each other, but are significantly higher than reported mill feed grade. During the period March to July 2010, the model-geology-scoop nickel grades averaged up to eight percent higher than reported mill feed grade.

Table 12 Basic Nickel Grade Geostatistics for Resource Model – Geology Sampling – Scoop Sampling from All Production Headings during the Period March to July 2010.

Parameter	Nickel Grade (%)		
	Resource Model	Scoop Samples	Geology Samples
Mean	1.31	1.28	1.26
Standard Error	0.05	0.06	0.05
Median	1.25	1.13	1.17
Mode	1.40	1.39	1.20
Standard Deviation	0.48	0.51	0.47
Sample Variance	0.23	0.26	0.22
Kurtosis	1.39	1.19	1.12
Skewness	1.01	1.21	1.15
Range	2.41	2.21	2.15
Minimum	0.55	0.59	0.60
Maximum	2.96	2.80	2.75
Sum	114.02	107.71	109.81
Count	87	87	87

Source: SRK Updated Five Year Mine Plan for Bucko Lake, January, 2011

Figure 14: Comparative Resource Model – Geology Sampling – Scoop Sampling Nickel Assay Gr4des from All Production Headings during the Period March to July 2010.



Source: SRK Updated Five Year Mine Plan for Bucko Lake, January, 2011

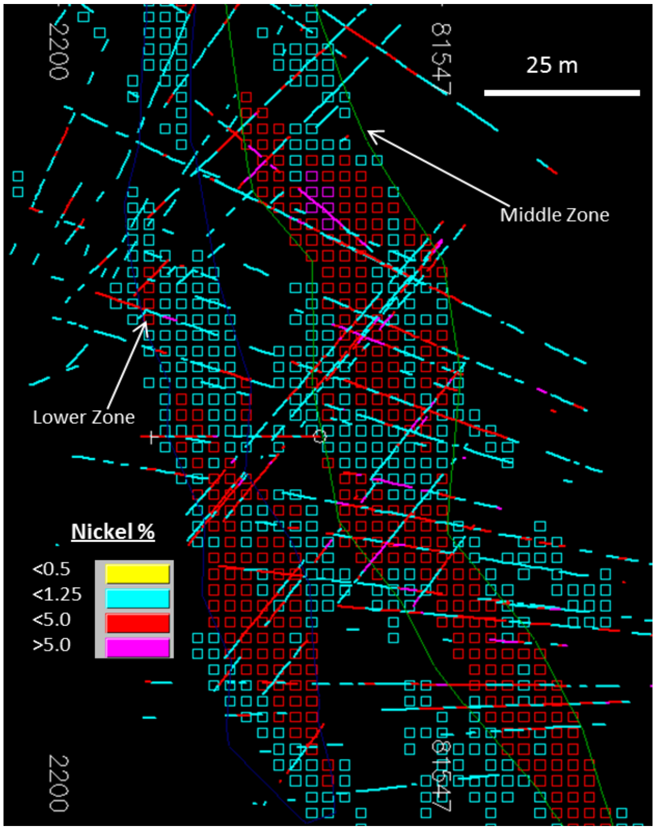
Table 13: Comparative Resource Model – Geology Sampling – Scoop Sampling Nickel - Mill Average Assay Grades from Combined Headings during the Period March to July 2010.

2010	Surveyed	Nickel Grades (%)			
	Tonnes	Model	Scoop	Geology	Mill
March	12,770	1.36	1.48	1.52	1.02
April	20,351	1.44	1.48	1.41	1.27
May	20,994	1.24	1.22	1.18	1.31
June	14,273	1.24	1.24	1.28	1.38
July	16,448	1.27	1.20	1.15	1.01
Total	84,836	1.31	1.32	1.29	1.21
Variance to Mill		+8%	+8%	+6%	

Source: SRK Updated Five Year Mine Plan for Bucko Lake, January, 2011

A visual plan inspection of block grade against drill hole data was undertaken by SRK which confirmed a reasonable correlation between block and drill hole data (Figure 15).

Figure 15: E-W Section Showing Coded Block Model Grades in relation to Drill Hole Data (showing grades >0.5% nickel). Section Looking North.



Source: SRK Updated Five Year Mine Plan for Bucko Lake, January, 2011

14.2 Mineral Resource Estimates for Satellite Properties (M11A, Bowden Lake, Apex and Halfway Lake)

14.2.1 Statement of Mineral Resources for Satellite Properties as of April 1, 2012

Falconbridge, Crowflight, and CaNickel have been actively exploring peripheral to the Bucko Lake Deposit. From 1960 (Falconbridge – the Bowden Lake), 2004 (M11A, Apex) to 2012 the companies have completed , and undertaken geophysical survey work including borehole EM, surface and airborne time domain EM surveys, surface and airborne magnetic surveys that have lead to the successful discovery and definition of indicated (M11A) and inferred resources at a number of satellite deposits located near current operations at Bucko (the Bowden properties including M11A, Apex and Bowden Lake deposits) and the Halfway Lake deposit. Table 14 presents a summary of NI 43-101 compliant resources disclosed to each deposit.

Table 14 Statement of Mineral Resources at Satellite Deposits near Bucko Mine as of April 1, 2012 (values rounded to nearest 1,000)

Deposit	Resource Classification	% Ni Cut-off	Tonnes	Ni %	Ni Lbs	Ni Kgs
M11A North	Measured	1.00%	-	0.00%	-	-
M11A North	Indicated	1.00%	800,000	1.17%	20,639,000	9,362,000
Total M&I	Meas + Ind	1.00%	800,000	1.17%	20,639,000	9,362,000
M11A North	Inferred*	1.00%	525,000	1.11%	12,850,000	5,829,000
Apex	Inferred*	1.00%	41,000	1.19%	1,076,000	488,000
Bowden	Inferred*	1.00%	2,044,000	1.16%	52,281,000	23,715,000
Halfway Lake	Inferred*	1.00%	900,000	1.20%	23,814,000	10,802,000
					-	-
Total	Inferred*		3,510,000	1.16%	90,021,000	40,834,000

Cautionary Statement:

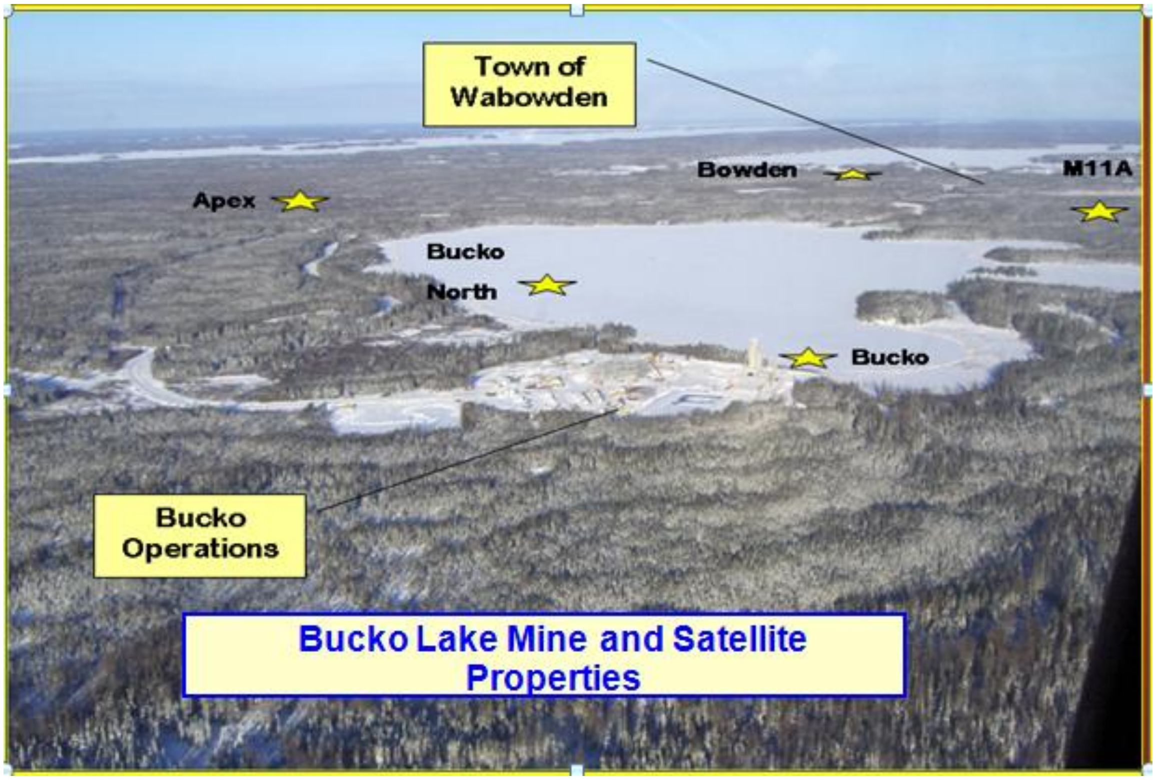
** The inferred resources defined at these deposits are considered to represent future exploration opportunity of the Company. Due to the lower level of confidence on the quality of defined resources and the preliminary stage of their respective economic evaluations, the satellite deposits Apex, Bowden Lake and Halfway Lake are classified as inferred resources at this time. The M11A N deposit, which is closest to the Bucko Mine, will be the focus of future economic evaluation and recent drilling has been successful in the conversion of some of the resources from inferred to indicated.*

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

An audit and discussion of the mineral resource estimate technique for the Satellite deposits are described in this report below.

See Figure 16 below for a location map of the CaNickel Satellite Properties

Figure 16 Location Map Bucko Lake Mine and Satellite Bowden Properties Looking Northwest – Not to Scale



14.2.2 Satellite Properties Resource Estimates (Bowden Lake, Apex and M11A North)

14.2.2.1 Density

For the resource estimate, Crowflight and CaNickel and its consultants have used a specific gravity of 2.60 to 2.85 cubic meters per metric ton (equivalent to a tonnage factor of 12.33 to 13.52 cubic feet per ton), which was carried out by Lakefield Research laboratories on composite core samples of surface drill hole cores from the Bowden Lake property in July 1964 and updated by Crowflight in 2010 for the M11A Deposit.

14.2.2.2 Crowflight Estimation Procedures for the Bowden Lake, Apex and Halfway Lake Prospects

The Satellite inferred mineral resources for the Bowden Lake, Apex and Halfway Lake were determined by Crowflight in 2007 and 2008 under the supervision of Mr. Greg Collins, P. Geo., Crowflight's Vice President of Exploration, and a Qualified Person under the NI 43-101 guidelines. The resource estimates were prepared in compliance with NI 43-101 reporting guidelines, which require that the estimate be prepared in accordance with the "CIM Definition

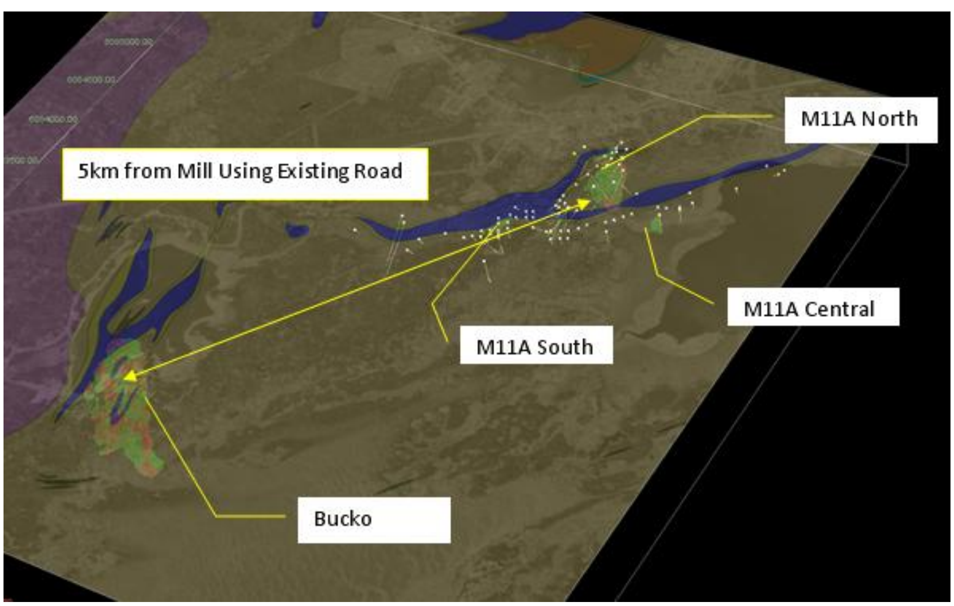
Standards on Mineral Resources and Mineral Reserves as prepared by the CIM Standing Committee on Reserve Definitions and as adopted by CIM Council".

The Crowflight determination of mineral resources was based on geostatistical block modeling using Gemcom Software utilizing the inverse distance squared method for grade interpolation. Composite lengths were based on a 1.5 meter ideal interval within resource domain solids. The density of material was based on average bulk density measurements taken in mineralized intervals based on available density data. The Inferred Resource calculation used a 150 meter (X) by 150 meter (Y) and 50 meter (Z) search ellipse with minimums of two drill holes and five samples per block. A 0.5% nickel cut-off grade was used to constrain the interpolation model. A 1% nickel cut-off grade was used to report inferred resources for the Satellite Properties.

14.2.2.3 M11A North Deposit - 2008 and 2010 Crowflight Mineral Resource Estimates and the April 1, 2012 CaNickel Mineral Resource Estimate

The M11A deposit consists of several small lenses of higher concentration nickel mineralization within larger zones of low grade nickel discovered by Falconbridge during the 1970s. The M11A area has three mineralized zones referred to as the M11A North, the M11A South and M11A Central (see figure below). The deposit is located within 5 kilometers of the Bucko Lake mill. In 2006, a higher grade nickel zone referred to as M11A North (M11A N) was discovered, which has been the subject of recent drilling (refer to press releases dated March 28, 2006, April 20, 2006 and May 8, 2007 by Crowflight). This is also the area that CaNickel has concentrated their drilling between 2010 and 2012.

Figure 17 M11A North, South and Central Isometric View Looking North (Note - Blue is Ultramafic Outcropping)



The 2008 Crowflight inferred resource estimate for the M11A N, prepared under the supervision of Mr. Greg Collins, P. Geo., Crowflight's Vice President of Exploration, and a Qualified Person under the NI 43-101 guidelines, was determined using an inverse distance squared interpolation method. An ellipsoidal search ellipse with dimensions 150m (X) x 150m (Y) x 20m (Z) using a azimuth of 30 degrees and dip of -30 degrees in such a fashion that the disc shaped ellipse was oriented roughly parallel to the strike and dip of the interpreted domain. For a block to be coded as inferred resources during the interpolation process a minimum of 2 sample composites and a maximum of 12 were used. The biggest influence on the addition of material exceeding 1% nickel comes from an intercept in hole M08-03 which intersected 26.7m grading 1.3% nickel. In all, 86 holes totaling 22,035m were considered in the 2008 Crowflight domain modeling and resource calculations for the entire M11 Resource Area. The Grade model for the M11A North area is influenced by 19 holes totaling 5,530 meters. The 2008 Inferred resource estimate by Crowflight using a 1.0% Ni cut-off grade, totaled 900,000 tonnes at a grade of 1.55% nickel for the M11A N deposit.

In 2010 Crowflight updated the inferred resource estimate for the M11A N, under the supervision of Mr. Greg Collins, P. Geo., Crowflight's Vice President of Exploration, and a Qualified Person under the NI 43-101 guidelines, including drill data from 2009 to 2010. The updated block model was developed using an inverse distance squared interpolation method. An ellipsoidal search ellipse with dimensions 150m (X) x 150m (Y) x 20m (Z) for inferred resources and 35m (X) x 35m (Y) x 15m (Z) for indicated resources (no measured). An azimuth of 30 degrees and dip of -30 degrees was used in such a fashion that the disc shaped ellipse was oriented roughly parallel to the strike and dip of the interpreted domain. For a block to be coded as inferred resources during the interpolation process a minimum of 2 sample composites and a maximum of 12 were used. For a block to be coded as indicated resources during the interpolation process a minimum of 3 sample composites and a maximum of 12 were used. There are no resources estimated in the measured category. The 2010 Crowflight mineral resource estimate update for the M11A N deposit using a 1.0% Ni cut-off grade, totaled 382,000 tonnes of indicated resources at 1.31% Ni and 848,000 tonnes of inferred resources at 1.32% Ni. The 2009 and 2010 added drilling had the effect of upgrading the resource confidence level in the M11A N area, enabling Crowflight to add indicated resources to the updated 2010 estimate and keep the inferred resource base about even when compared to the 2008 estimate. The % Ni grade decreased from 1.55% Ni in the 2008 estimate to about 1.31% in 2010 (a decrease of 15% in grade) as a result of the influence of the additional 2009-2010 drill holes reducing the grade smearing effect of the limited 2008 drilling.

In 2012, CaNickel updated the mineral resource estimate for the M11A N, under the supervision of Mr. James Wong, P. Geo., and P. Eng., CaNickel Chief Geologist, and a Qualified Person under the NI 43-101 guidelines, including drilling data from 2010 to 2012. The block model was prepared by Mr. Shawn Romkey, P. Geo., using Flairbase Amine software for the block model preparation and interpolation. The updated block model was developed using an inverse distance squared interpolation method. For M11A N an ellipsoidal search ellipse with dimensions 150m (strike) x 150m (dip) x 50m (span) for inferred resources and 33m (strike) x 53m (dip) x 15m (span) for indicated resources (no measured). An azimuth of 300 degrees and dip of 60 degrees was used in such a fashion that the disc shaped ellipse was oriented roughly parallel to the strike and dip of the interpreted domain (see interpolation parameters table below). For a block to be coded as inferred resources during the interpolation process a minimum of 2 sample composites and a maximum of 12 were used. For a block to be coded as indicated resources during the interpolation process a minimum of 3 sample composites and a maximum of 12 were used. There are no resources estimated in the measured category. The 2012 CaNickel mineral resource estimate update for the M11A N deposit using a 1.0% Ni cut-off grade, totaled 800,000 tonnes of indicated resources at 1.17% Ni and 525,000 tonnes of inferred resources at 1.11 %Ni. The 2010 to 2012 added drilling had the effect of again upgrading the resource confidence level in the M11A N area, enabling CaNickel to add 418,000 tonnes of indicated resources (+109%) to the 2010 Crowflight indicated estimate, but at a lower overall grade. The indicated % Ni grade decreased from 1.31% Ni in the 2010 estimate to about 1.17% in 2012 (a decrease of 11% in grade) as a result of the influence of the additional 2010-2012 drill holes reducing the grade smearing effect of the 2010 drilling.

Table 15 Interpolation Parameters for M11A Block Model

AREA	SG	Azimuth	Dip	Spin	Strike m	Dip m	Span m	Min Samples Ellipsoid	Max Samples Ellipsoid	Min Octants w/ Samp	Max Samp/ Octant	Inverse Distance
Measured												
NORTH	-	-	-	-	-	-	-	-	-	-	-	-
SOUTH	-	-	-	-	-	-	-	-	-	-	-	-
CENTRAL	-	-	-	-	-	-	-	-	-	-	-	-
Indicated												
NORTH	2.85	300.00	65.00	-	53.00	33.00	15.00	3	12	-	-	2
SOUTH	2.85	45.00	-	-	53.00	33.00	15.00	3	12	-	-	2
CENTRAL	2.85	320.00	70.00	-	52.00	33.00	15.00	3	12	-	-	2
Inferred												
NORTH	2.85	300.00	65.00	-	150.00	150.00	50.00	2	12	-	-	2
SOUTH	2.85	45.00	-	-	150.00	150.00	50.00	2	12	-	-	2
CENTRAL	2.85	320.00	70.00	-	150.00	150.00	50.00	2	12	-	-	2

A comparison of Crowflight 2008 and 2010 mineral resource estimates to CaNickel 2012 mineral resource estimate for the M11A N deposit is illustrated in the Table below.

Table 16 M11A N Comparison of 2008 and 2010 Crowflight and 2012 CaNickel Mineral Resource Estimate as of April 1, 2012

CaNickel April 1, 2012

	1.0% Ni Cut-off		
	Tonnes	Ni%	Lbs Ni (Rounded 1,000)
Measured	-	-	-
Indicated	800,000	1.17	20,639,000
Meas+Ind	800,000	1.17	20,638,800
Inferred	525,000	1.11	12,850,000

Crowflight 2010

	1.0% Ni Cut-off		
	Tonnes	Ni%	Lbs Ni
Measured	-	-	-
Indicated	382,000	1.31	11,034,000
Meas+Ind	382,000	1.31	11,034,000
Inferred	848,000	1.32	24,682,000

Crowflight 2008

	1.0% Ni Cut-off		
	Tonnes	Ni%	Lbs Ni
Measured	-	-	-
Indicated	-	-	-
Meas+Ind	-	-	-
Inferred	900,000	1.55	30,760,000

Cautionary Statement:

The inferred resources defined at these deposits are considered to represent future exploration opportunity of the Company. Due to the lower level of confidence on the quality of defined resources and the preliminary stage of their respective economic evaluations, the satellite deposits Apex, Bowden Lake and Halfway Lake are classified as inferred resources at this time. The M11A N deposit, which is closest to the Bucko Mine, will be the focus of future economic evaluation and recent drilling has been successful in the conversion of some of the resources from inferred to indicated.

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

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

Other 2012 CaNickel M11A block model and mineral resource estimate technique include:

1. Drill hole intercepts for major and minor lithology intervals, structure and mineralization were utilized to interpret sectional and level plan geological interpretations which were used to create 3D interpreted surfaces and solids (wireframes) in the modeled area. Based on this information a 3D solid was constructed using poly lines snapped to assay intercepts to enclose all zones of nickel mineralized rocks within the ultramafic zone.
2. Grade capping was investigated utilizing the raw assay values in the database from all domains to ensure that the possible influence of erratic high values did not bias the database. Extraction files were created for constrained Ni data within the interpreted mineralized domain. From these extraction files, log normal histograms and log normal probability plots were generated.

A drill hole location map and a section looking north with the drill hole trace, color coded grade and the outline of the ultramafic wireframe and the mineralized wireframe is depicted below.

Figure 18 Cross Section M11A N – Looking North

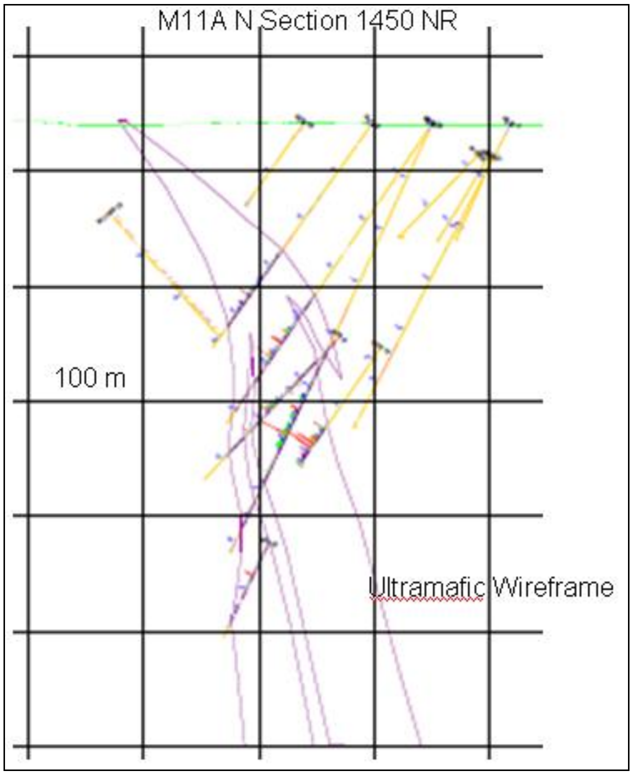
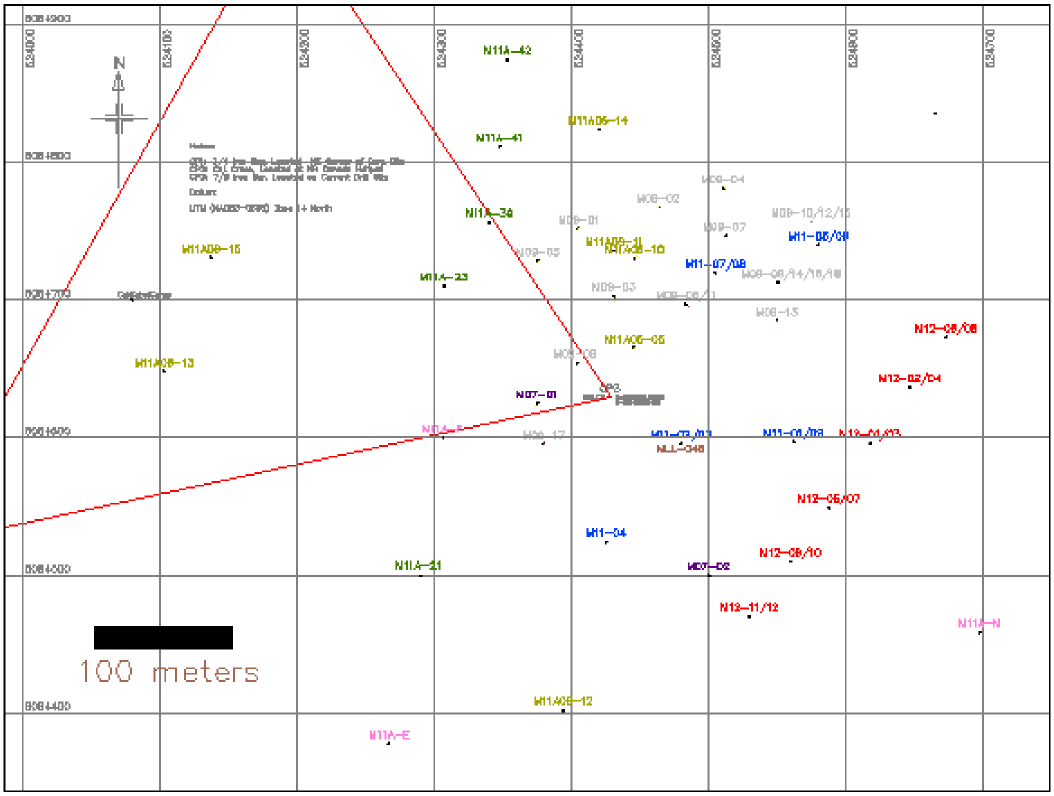
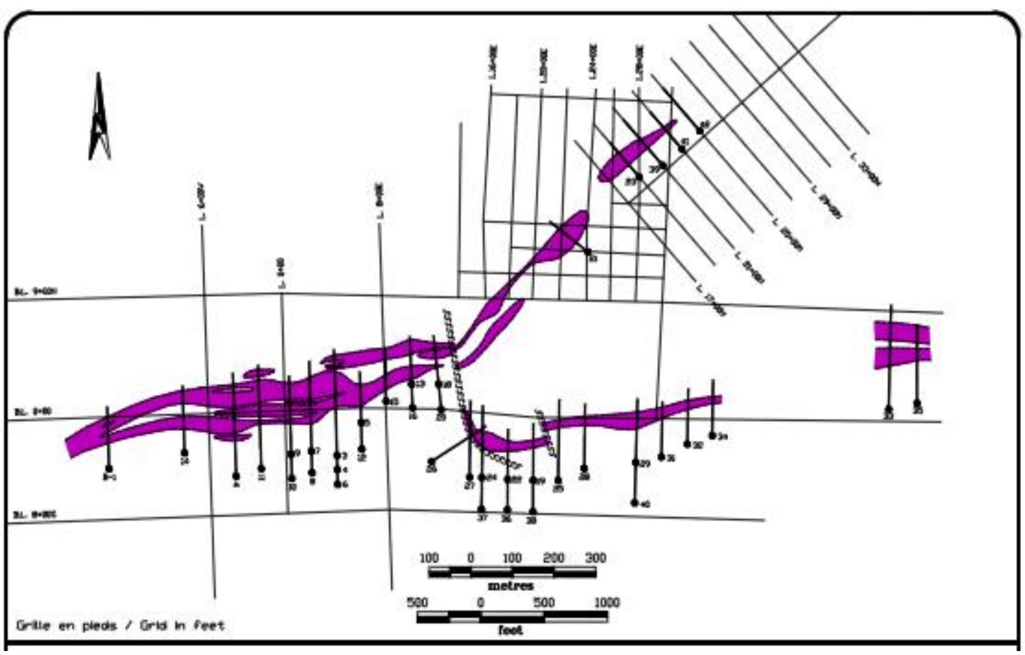


Figure 18A M11A Drill Hole Location Map



Source: Mr. Ryan Moody, Geologist, CaNickel, May, 2012

Figure 18B M11A Plan View Map with Utramafic Zones



Source: Geologica Groupe NI 43-101 Technical Report, 2005

14.2.2.4 Apex Deposit

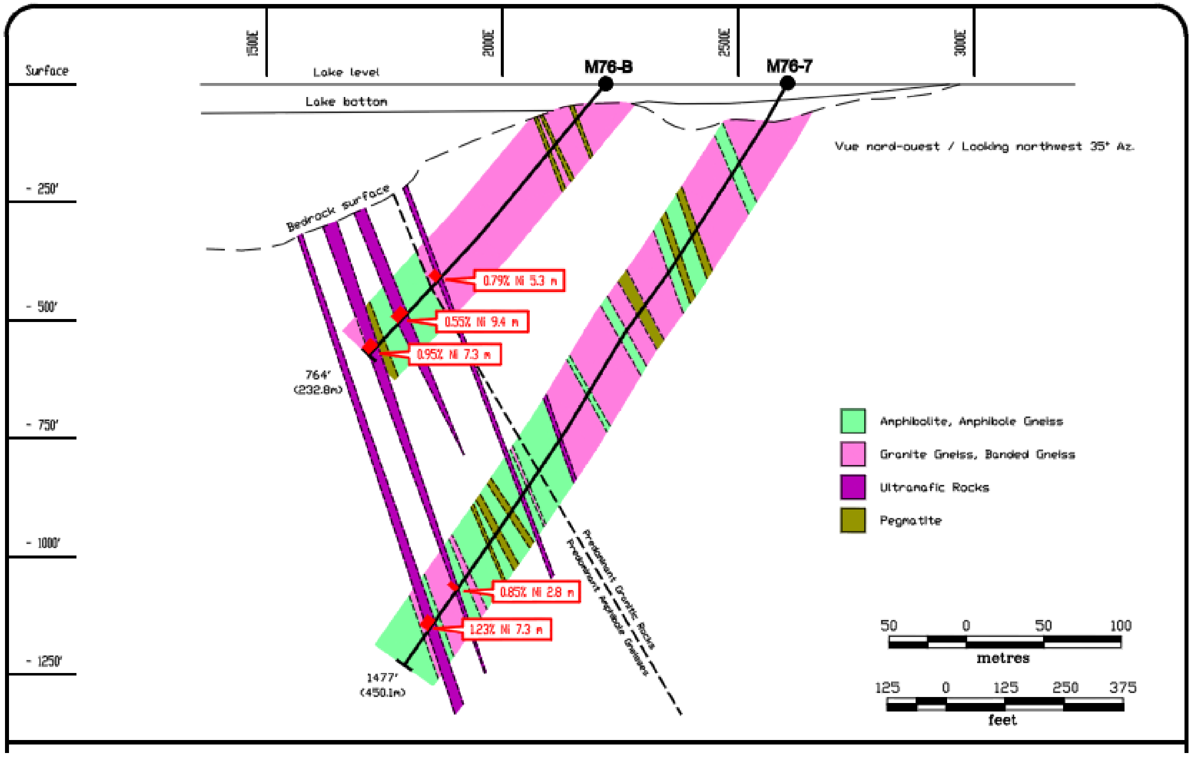
The deposit was discovered by Crowflight and its former operating partner Xstrata Nickel in 2006 (see press releases dated April 27, 2006, July 7, 2006 and May 8, 2007) and is located approximately 5 kilometers from the Bucko Lake mill. The Inferred resource presented is based on 13 holes totaling 4,263 meters drilled during 2006 and 2007. The deposit retains exploration potential for expansion at depth.

Drilling of the Apex Prospect in 2008 yielded no significant intercepts thus downgrading the potential of the investigated geophysical targets. Additional resource expansion potential remains at depth associated with the currently defined Apex Resource. Additional drilling near Apex should seek to further define this potential.

14.2.2.5 Bowden Lake Deposit

The Bowden Lake deposit is located under Bowden Lake adjacent to the Wabowden town site, approximately 5 kilometers from Bucko Lake. The deposit consists of large volumes of mineralized ultramafic rock over a strike length of >2.5km. Historical, but non NI 43-101 compliant resource calculations reported by Falconbridge indicated that this deposit hosts large volumes of lower grade nickel sulfide mineralization. In 2005, Xstrata Nickel drilled 7 holes from the surface of Bowden Lake to further evaluate a corridor of elevated nickel content. The 2007 Crowflight resource presented in this report incorporates historical drilling from 66 holes, and 7 holes drilled in 2005. CaNickel plans to study potential future development scenarios for this property.

Figure 19 Typical Cross Section Bowden Lake Prospect Looking Northwest



Source: Geologica Groupe NI 43-101 Technical Report, 2005

14.2.2.6 Bowden Lake, Apex and Halfway Lake Mineral Resource Classification

Prior to tabulation of results of the resource estimate, blocks for each zone were classified into the confidence categories of Measured, Indicated or Inferred. CaNickel and Crowflight have classified the Satellite mineral resource estimates as “Inferred Resources”.

The authors have not realized independent resource calculations on the showings or mineralized zones of the properties except for verifying the methodology used by previous authors and companies.

14.2.2.7 Other Relevant Data and Information

The Bowden Lake property, on which past mining activities were realized by Falconbridge, is and remain under the responsibility of the current property owner Xstrata with the purchase option to CaNickel. In terms of permitting, CaNickel will require work permits for any construction of access for diamond drilling or outcrop stripping / trenching activities, or for clearing of trees on the claim holding.

Previous work conducted on the property was incorporated into a NI 43-101 compliant resource in 2007, subsequently updated in 2008, 2009 and underway again in 2012 by CaNickel. The results of this update are provided in the table above. Results from the 2012 exploration program will be used to further update estimates at the M11A North deposit.

14.3 Mineral Resource Estimate for the Halfway Lake Property

NI 43-101 compliant resource estimates were established by Crowflight (now CaNickel) in 2007 by Gregory Collins, P. Geo., and BS Geo. working for Crowflight. In 2007, Crowflight followed up favorable intercepts with the goal of further assessing resource potential of the area and establishing inferred resources. Crowflight drilled 2 holes in 2007 intersecting widths of mineralization in excess of 9 meters grading 1.4% nickel (see press release dated May 31, 2007). The Inferred Resource presented is based on 9 historical holes drilled by Falconbridge and 4 holes drilled by Crowflight and its former operating partner Xstrata Nickel. The deposit is located in an under-explored portion of the belt and retains the potential for additional resource expansion.

The Halfway Lake resource estimates presented in Table 17 below.

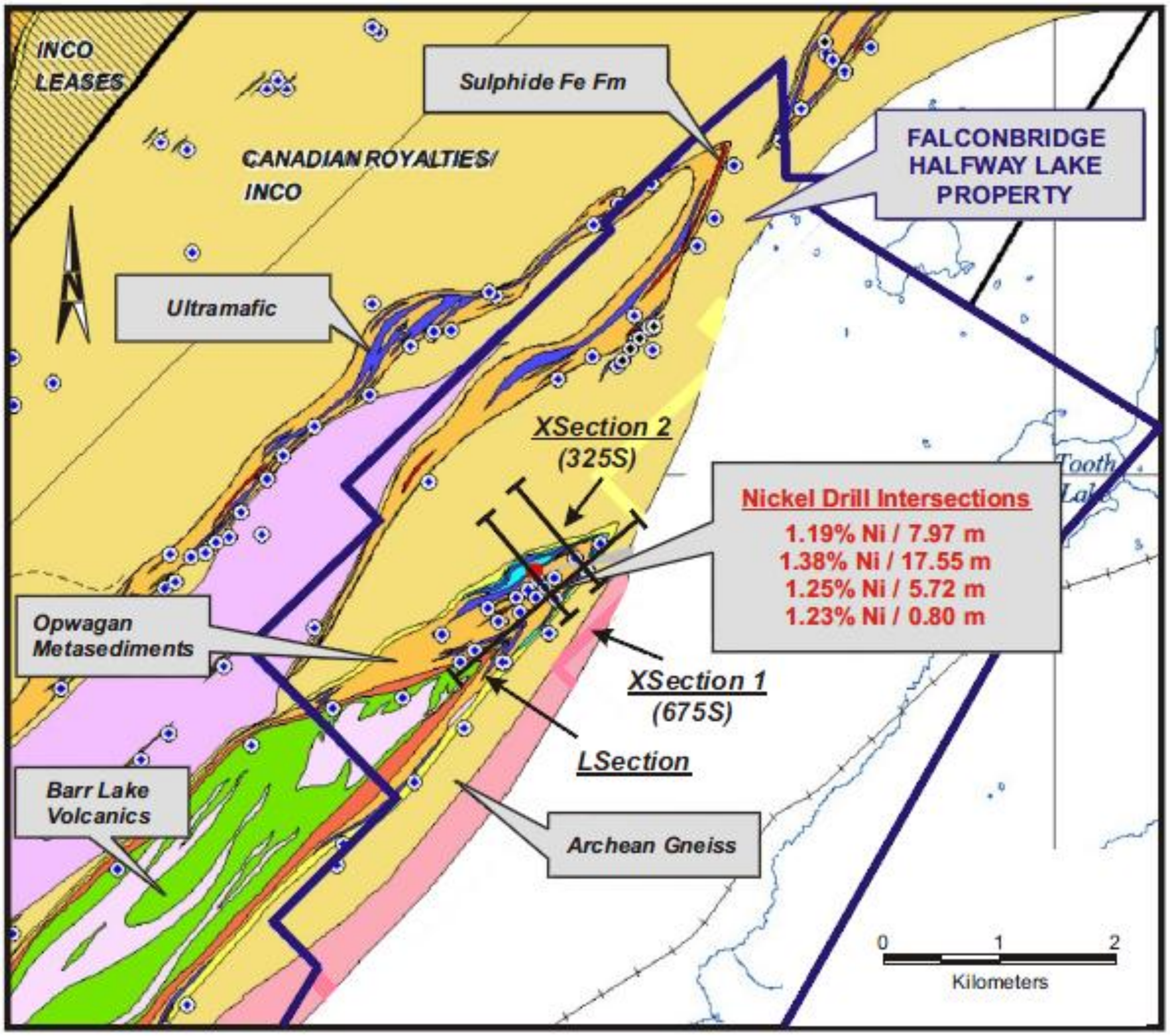
Table 17 Summary Halfway Lake Property Resources

Deposit	Resource Classification	% Ni Cut-off	Tonnes	Ni %
Halfway Lake	**Inferred**	**1.00%**	**900,000**	**1.20%**
Total	**Inferred**		**900,000**	**1.20%**
Contained Nickel Pounds		**238,140**		

Cautionary Statement:

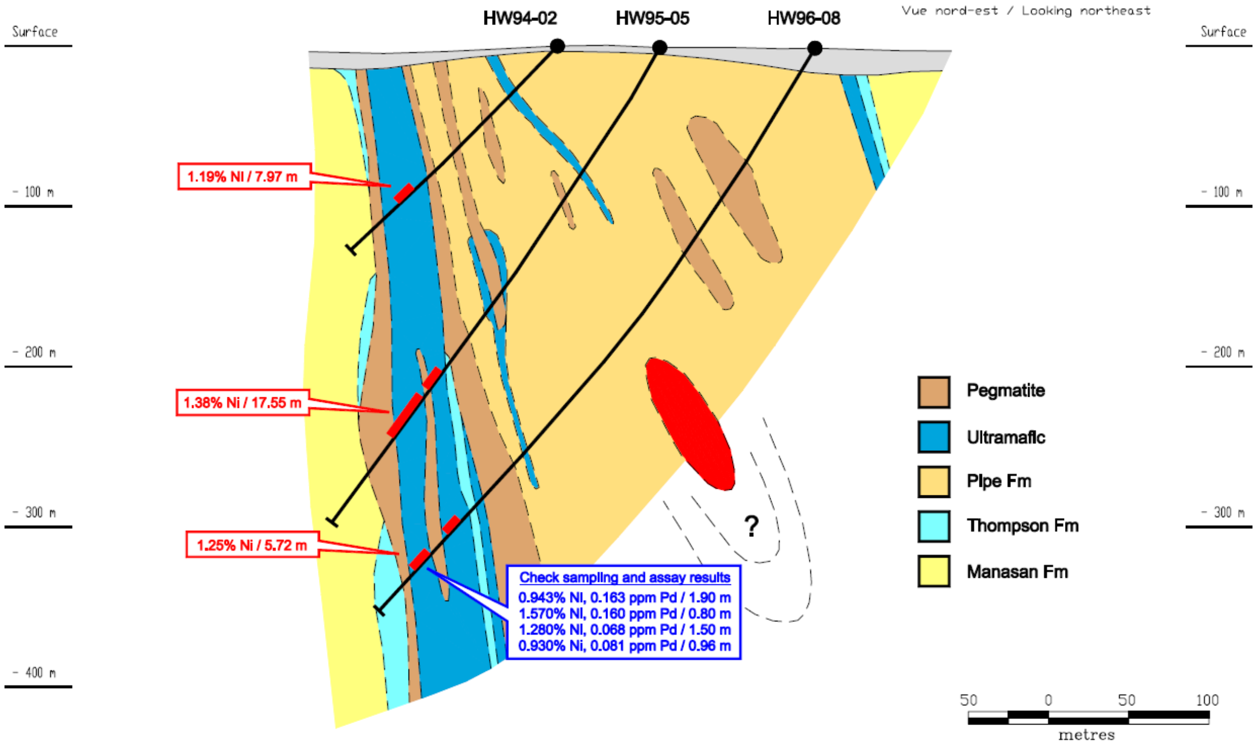
The inferred resources defined at these deposits are considered to represent future exploration opportunity of the Company. Due to the lower level of confidence on the quality of defined resources and the preliminary stage of their respective economic evaluations, the satellite deposits are classified as inferred resources at this time.

Figure 20 Plan View Halfway Lake Prospect



Source: Geologica Groupe NI 43-101 Technical Report, 2005

Figure 21 Typical Cross Section Halfway Lake Prospect Looking Northwest Section 1



Source: Geologica Groupe NI 43-101 Technical Report, 2005

14.4 Resource Sensitivity

14.4.1 Apex and Bowden Lake

Based on the 2007 Satellite Deposit Resource calculations a sensitivity analysis was prepared by Crowflight and reported in a Press Release on September 17, 2007 for the Apex and Bowden Lake.

Table 18 Inferred Resource Sensitivity Apex and Bowden Lake

Deposit	Resource	0.2%		0.5%		0.7%		1.0%		1.25%	
	Classification	% Ni Cutoff		% Ni Cutoff		% Ni Cutoff		% Ni Cutoff		% Ni Cutoff	
		Tonnes	Ni%	Tonnes	Ni%	Tonnes	Ni%	Tonnes	Ni%	Tonnes	Ni%
Apex	Inferred	3,265,000	0.48	1,323,000	0.65	363,000	0.84	41,000	1.19	NC	NC
Bowden Lake	Inferred	134,525,000	0.51	63,397,000	0.68	23,049,000	0.84	2,044,000	1.16	NC	NC

Source: Crowflight Press Release September 17, 2007

Table 18A Indicated and Inferred Resource Sensitivity for M11A North

Deposit	Resource	0.5%		0.7%		1.0%		1.25%	
	Classification	% Ni Cutoff		% Ni Cutoff		% Ni Cutoff		% Ni Cutoff	
		Tonnes	Ni%	Tonnes	Ni%	Tonnes	Ni%	Tonnes	Ni%
NORTH									
M11A	Measured	-	-	-	-	-	-	-	-
M11A	Indicated	4,346,000	0.75	1,873,000	0.97	800,000	1.17	137,000	1.44
M11A	Meas + Ind	4,346,000	0.75	1,873,000	0.97	800,000	1.17	137,000	1.44
M11A	Inferred	3,277,000	0.73	1,251,000	0.96	525,000	1.11	1,000	1.26

Source: Shawn Romkey, P. Geo, October, 2012

Cautionary Statement

** The inferred resources defined at these deposits are considered to represent future exploration opportunity of the Company. Due to the lower level of confidence on the quality of defined resources and the preliminary stage of their respective economic evaluations, the satellite deposits Apex, Bowden Lake and Halfway Lake are classified as inferred resources at this time. The M11A N deposit, which is closest to the Bucko Mine, will be the focus of future economic evaluation and recent drilling has been successful in the conversion of some of the resources from inferred to indicated.*

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

15. MINING RESERVES – BUCKO LAKE MINE – AS OF APRIL 1, 2012

The format and narrative for the 2012 update of the Bucko Mine Mineral Reserves and Resources is taken in part from the 2009 Technical Report Update by Crowflight, updated by Crowflight on March 25, 2010 and updated by CaNickel as of April 1, 2012 by taking out mined areas between March 25, 2010 to March 31, 2012. The results from a program of surface and underground drilling completed from 2007 to 2010 were used to produce an updated mineral resource and reserve estimate for the CaNickel Bucko Mine by CaNickel personnel.

Based on interpolation of drill results, geological information and updated information regarding capital and operating costs, available from the mine operations, fully diluted Proven and Probable Reserves and Mineral Resources were prepared in accordance with NI 43-101 guidelines are presented in Table 19.

Table 19: Bucko Lake Mine NI 43-101 Compliant Mineral Reserves and Resources as of April 1, 2012

Category	Cut-Off Grade Ni%	Tonnes	Ni %	Contained Nickel (lbs) X 1,000,000
Proven Reserves	1.25%	616,000	1.43	19.40
Probable Reserves	1.25%	1,994,000	1.44	63.13
Total Reserves	**1.25%**	**2,610,000**	**1.43**	82.53
				-
Measured Resources*	1.00%	751,000	1.37	22.68
Indicated Resources*	1.00%	2,845,000	1.28	80.06
Total Measured and Indicated Resources	**1.00%**	**3,596,000**	**1.30**	102.74
				-
Inferred Resources	1.00%	5,043,000	1.41	156.89
Total Inferred Resources	**1.00%**	**5,043,000**	**1.41**	156.89

* Resources are exclusive of reserves.

Cautionary Statement:

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

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

The mineral resources were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council.

Mining reserves presented in this report for the Bucko Mine were derived from the mineable portion of the Measured and Indicated resources defined by a cut-off grade of 1.25% nickel grade totaling 3,491,200 tonnes at 1.78% Ni. They represent the portion of the Measured and Indicated mineral resources that have been subject to a detailed economic assessment by Mr. Martin using the current Bucko mine, mill, G/A unit costs, milling recovery, concentrate ratios, recovery and transportation costs for year to date 2012. Stope design, underground development and all volumetric queries were created by CaNickel; using the computerized mine design software packages Gemcom and Flairbase Amine. Solids were developed for each level for cut & fill and long hole stopes including crown pillars to constrain grade interpolation and calculate grade and volumes.

Mine design factors used in the reserve estimates are consistent with standard industry practices for base metals deposits. They include:

Utilization of the resource block model as a basis for stope design. A full block approach was utilized with stope shells based on the full block. Block sizing is 2mW x 2mD x 2mH which is smaller than the minimum mining width.

Conversion of resources to reserves considered the following factors: mining dilution and recovery, mucking recovery, allowance for backfill gouging, accountability parameters and mining, G/A and milling costs.

Dilution parameters used for the Proven and Probable reserve estimates include Longhole (LH) stopes include 20% external dilution – as per approved stope grade from mine inventory. Cuts have 4.7% over break factor applied plus 2% fill dilution factor as calculated from Overhand Cut and Fill (OHCF) study. Crowns assume 15% external dilution at 1.0% Ni, 2.5% fill dilution at 0% Ni applied on an 85% mining recovery.

The stopes are defined by a 1.25% nickel cut-off grade within the ultramafic zone. The 1.25% cut-off grade is calculated using a 30% profit margin for the mine operations using historical mine operations parameters. The bulk of the mining going forward starting in 2012 is utilizing Longhole stoping methods. Stopes are defined by grade boundaries, not geologic contacts.

Table 20 below is a summary of the updated cut-off grade determination based on 2012 year to date actual data from CaNickel Mining Ltd. Bucko Mine operations.

Mining of the reserves was based primarily on Longhole extraction methods from the 1000 ft (305 m) to the bottom of the reserve model, and Overhand Cut and Fill method for the stopes above the 1000 ft (305 m) elevation.

Mining methods include the use of consolidated backfill and sequencing based on a series of primary and secondary stopes to achieve complete recovery of the modeled reserve.

Table 20 Summary of Mineral Reserves April 1, 2012

Parameter	Tonnes	% Ni
Proven Reserves	616,000	1.43
Probable Reserves	1,994,000	1.44
Total Reserves	**2,610,000**	**1.43**
Average Reserves Grade	**Value**	
Nickel (%)	1.43	
Copper (%)	0.11	
Cobalt (%)*	0.023	
Platinum (%)*	0.153	
Palladium (g/t)*	0.363	
Gold (g/t)*	0.025	
Production Rate (ore t/yr)	363,000	
Mine Life (yrs)	7.19	

*The nickel and copper grades are included in the block model; the other metal grades are estimated based on ratio calculations using various metallurgical composite samples taken from the mineralized zones.

Table 21: Proven and Probable Cut-off Grade Calculation

Parameters from CaNickel Monthly Report, Average Jan. and Feb., 2012					
Long Hole Stoping					
Parameter	Units	Value			
Ni Price	$/lb	$ 8.50	Average last 3 years		
Mining Cost	$/tonne	$ 63.53			
Process Cost	$/tonne	$ 38.13			
Process Recovery	%	79%			
G/A	$/tonne	$ 7.84			
Concentrate Shipping	$/tonne	$ 60.00			
Concentrate Ratio	X:X	10:1			
Smelter Treatment Charge	$/tonne	$ 125.00			
Smelter Payables	%	90%			
Refining Charges	$/lb Ni	$ 0.60			
$ 128.00	$/tonne costs				
$ 12,000.74	$/tonne revenue				
1.067	**% Ni Cut-off grade for PP Mineral Reserves**				w/o margin
1.227%	**% Ni Cut-off grade for PP Mineral Reserves**				**Use 1.25% Cut-off**
Cut-off Grade Formula =					
Costs	(Mining/t + Process/t + G/A/t) +((Smelter Cost/t + Conc Ship/t)/Conc Ratio)				
Revenue	(Nickel Price/lb X %Process Recov X %Smelter Payable) Less Refine/lb *2204.6 lb/t				
%Costs/Revenue =	% Ni Cut-off grade				
%Margin	15%				

Figure 22 Isometric View of Bucko Lake Mine Plan Mineral Reserve and Resource Classification (red = proven, brown = probable and green = inferred) Looking East

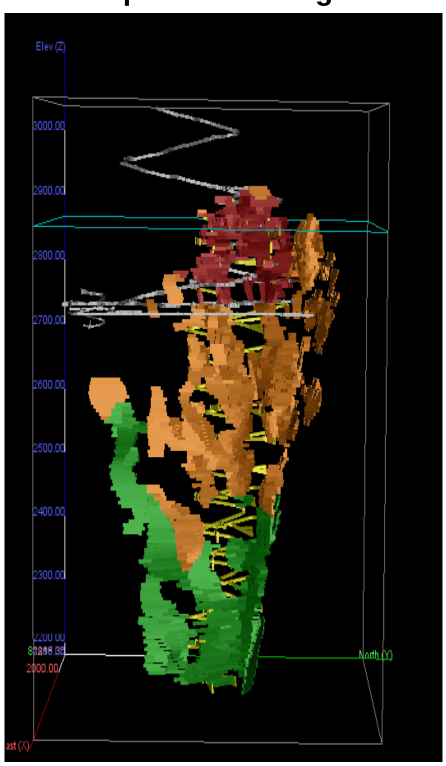
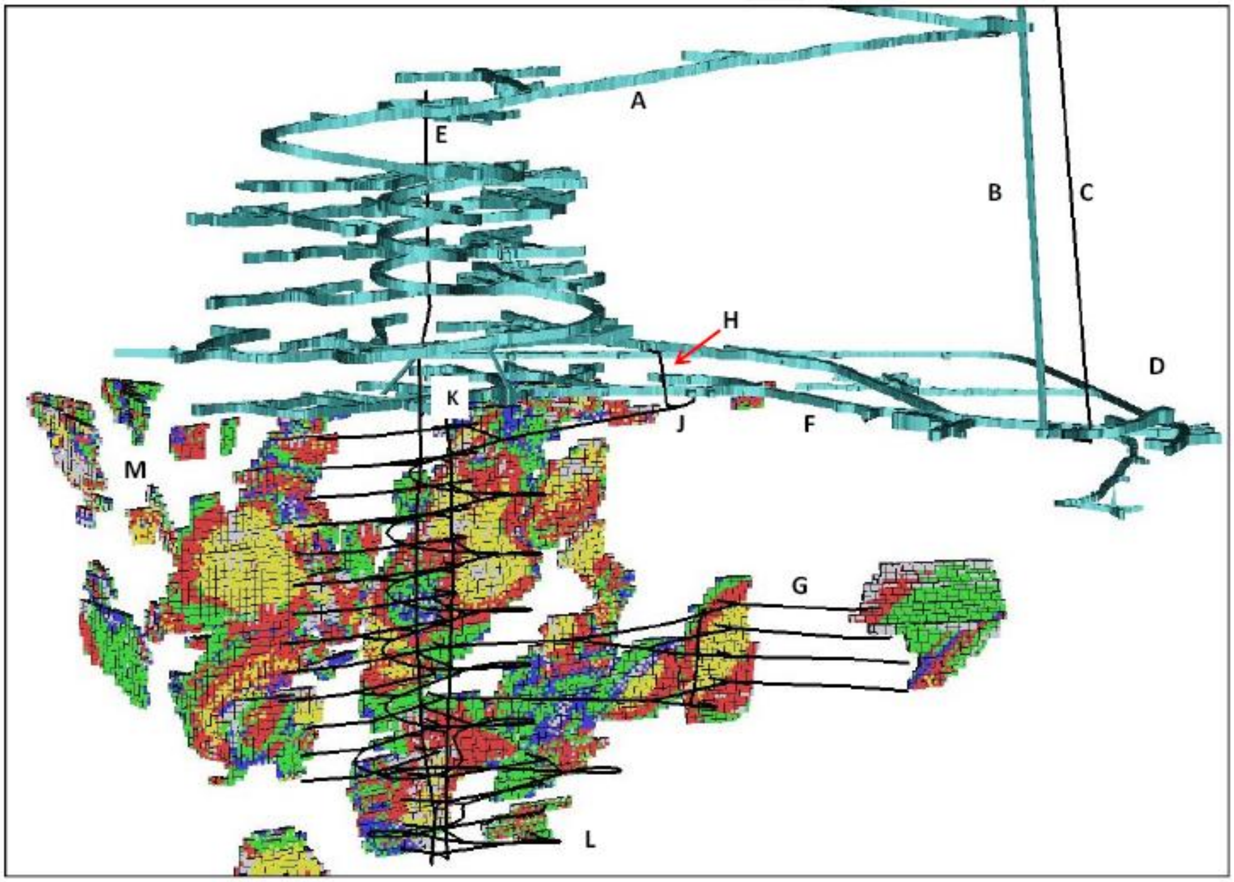


Figure 23 Isometric View of Bucko Underground Mine Plan Model Grades and Infrastructure Looking Northwest



Source: Source: SRK Updated Five Year Mine Plan for Bucko Lake, January, 2011

Target mineralization is shown above in Figure 23. Resource block model blocks are shown using the following color scheme:

Grey 0.00 percent to 1.00 percent nickel;
Blue 1.00 percent to 1.25 percent nickel;
Green 1.25 percent to 1.50 percent nickel;
Red 1.50 percent to 2.00 percent nickel;
Yellow +2.00 percent nickel.

The labeled items shown in Figure 23 above are described below:

A - Existing ramp from surface. Existing workings are shown in cyan;
B - Existing ventilation raise from surface to 1000L;
C - Planned new 2.13 meter diameter bored fresh air raise;
D - Please note that the shaft is here but is not shown;

E - Existing service raise from 500L to be converted to sand raise;
F - 1000L;
G - 1400L (2635 meter elevation) extends south to provide access to the south extension of the main zone;
H - New exhaust raise (28 meters) keeps exhaust air isolated from the fresh air flow on 1000L. Air is directed up to the up ramp at 900L;
J - Start of the main ramp coming down from 1000L;
K - Top of new fresh air that starts on 1000L. Fresh air comes across 1000L from the fresh air raise(s) to this raise at point “K”;
L - 1860L (2490 meters elevation);
M - Hinge area.

15.1 Other Factors with Material Influence on Reserves:

The author does not find any other factors with material influence on the reserves. Since the last Technical Report in 2009, the company has secured permits to use a permanent land based Tailing Storage Facility (TSF), permitted by the provincial government. During the time of the 2009 Technical Report the company was under an Interim Tailings Storage Facility (ITSF).

15.2 Other Relevant Data and Information

The authors are not aware of any other relevant data and information excluded from this report.

15.3 Interpretation and Conclusions

This report serves as supporting technical documentation for CaNickel Mining Ltd. 2012 updated mineral resource and reserve statement and for the Company’s Annual Information Form intended to conform to the structure of NI43-101 Form 1.

16. UNDERGROUND MINE DESIGN –BUCKO LAKE MINE

Mining Operations are designed for an average underground extraction rate of 1,000 tonnes of ore per day, 300 tonnes of waste. Access to the mine is via a decline from the surface. There is a decommissioned shaft which connects the surface to the 1000 foot level.

Mining levels are accessed off the main decline at 30 m intervals. All ore and waste is currently being trucked to the surface directly from the mining levels.

The decline has a design 15% grade and is approximately 4.2 m wide by 4.5 m high, located in the mining footwall. The internal ramp is designed to connect to all levels, enabling the conveyance of materials, workers and equipment underground. Remuck stations and safety bays are excavated during the development of the ramp. The safety bays measure 1.5m by 2 m and are driven every 30 m throughout the decline.

All primary footwall development is located in competent gneiss rock outside mineralized zones of ore bearing ultramafic rock. Development in footwall rocks requires the installation of mechanical rock bolts and screen in the back. Development through mineralized zones in ultramafic occurs in less competent medium. Ground support in ultramafic requires installation of fully grouted re-bar and screen as a means of primary support, and cable bolting as required to provide secondary support.

During our underground visit in May of 2012, the authors noted that the mine was using, in addition to the grouted re-bar, a Swellex product for roof support in the active stopes. It is recommended to compare the roof bolting techniques and to select the most efficient method for ground control even if it may be more expensive, especially in lieu of the recent ground falls where using Swellex.

Ventilation from surface to levels above the 1000 ft mining level is provided by 3 m by 3 m inclined ventilation raise and 2 – 200 H.P. fans heated with a 22 million BTU propane heater. Below the 1000 ft level, drop raises between ramp levels will be connected to the existing surface vent raise on 1000 ft level providing primary ventilation to lower portions of the mine.

Pumping of mine water is handled via a 100 H. P. 10 stage pump located on the 1000 ft level. A 400 H.P. is in place as a back-up. Mine water is pumped to the surface where the water is introduced to the tailings pump box and discharged to tailings.

Electricity is delivered to the underground via two 4160 V cables in the shaft and stepped down to 600 V using a 1000 kVA transformer located on the 1000 ft and 400 ft levels. A 2 MW diesel generator is installed on the site for backup power capable of running mill essentials and underground hoist, fans and pumps.

16.1 Mining Method

The mining method selected by CaNickel Mining Limited is a combination of overhand cut and fill for levels above the 900 ft (274 m) level and long hole stoping for levels below the 900 ft level. Overhand cut and fill is accomplished with 5 meter cuts. For long hole stoping sublevel access is on 30 meter intervals. The stopes are backfilled with cemented hydraulic fill and development waste. The sublevels are connected via an internal ramp system. Maximum stope dimensions were defined as 20 meters wide by 20 meters long by 30 meters high. Backfill is introduced underground via a series of drill holes and HDPE piping located in the ramp.

16.2 Infrastructure

A garage/shop facility, a permanent refuge station, fuel storage and loading facility, power and cap magazines are located on the 1000 ft (304.8 m) level. The dimensions of these facilities are as follows:

Detonator magazine (4 m X 4 m X 4 m) at least 8 m from the powder magazine.
Powder magazine (7 m X 5.5 m X 5 m).
Refuge station (5.5 m X 5 m X 6 m).
Workshop (5.5 m X 5 m X 8 m).
Fuel bay (5.5 m X 5 m X 8 m).
Rock breaker station (3.8 m X 3.8 m X 5 m).

There is one sump per level for trapping and containing water inflows. The sumps are interconnected by boreholes to pumping stations located on the 400 foot, 1000 foot, and eventually 1800 foot level (122 m, 305 m, 549 m levels) for removal of waste water to the surface mill. Each sump measures 2.4 m wide by 2.4 m high by 3.8 m deep.

16.3 Level and Stope Design

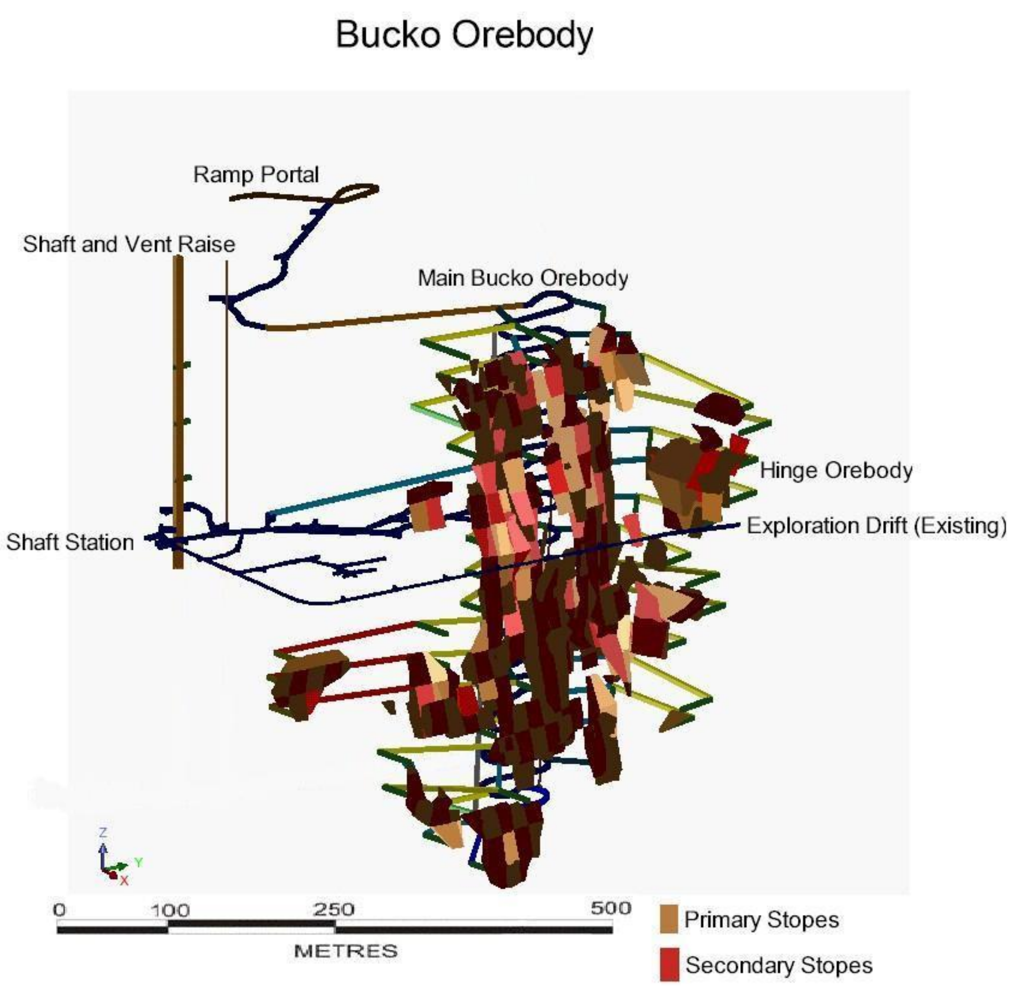
Level development consists of haulage drifts driven parallel to the footwall contact connecting to the internal ramp and ventilation system. Access to stoping areas is afforded by cross-cuts from the footwall haulage drift into the mineralized ultramafics. Stopes are mined using long hole and overhand cut and fill stoping methods. Stopes are typically started in the hanging wall position and retreating towards the footwall. Overcuts, intersections and draw point areas are supported by fully grouted cable bolts, and recently using Swellex, with use of 25% shotcrete coverage in ultramafic development.

Once extracted, stopes are filled with cemented hydraulic backfill and development waste. The excavation quantities of waste rock, partially mineralized ultramafics and the ore were scheduled by the CML engineers to take into account maximum flexibility with multiple faces and a reduced delay due backfill curing. All lateral development is designed to be 4 m wide by 4.2 m high.

16.4 Development

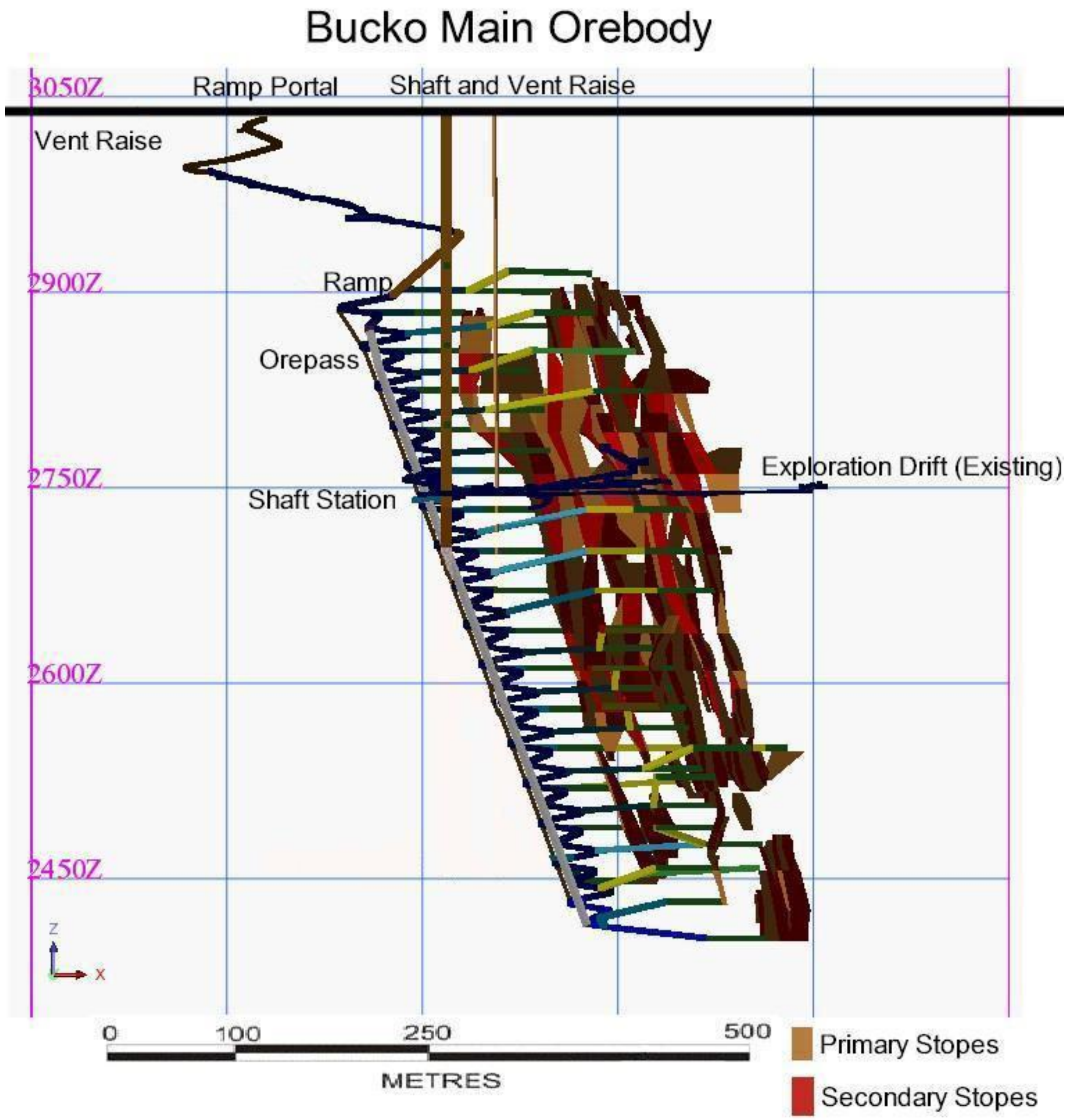
From the 1000 ft (305 m) level the ramp will be expanded below the 1000 ft (305m) level down to the 1900 ft level (2350 meter elevation) to access mining levels in the lower portion of the mine. Muck produced below the 1000 ft (305 m) level will be trucked via the internal ramp to the surface. The General Mine layout is shown in Figure 24, Figure 25 and Figure 26 below.

Figure 24 View of Bucko Mine Design Looking East



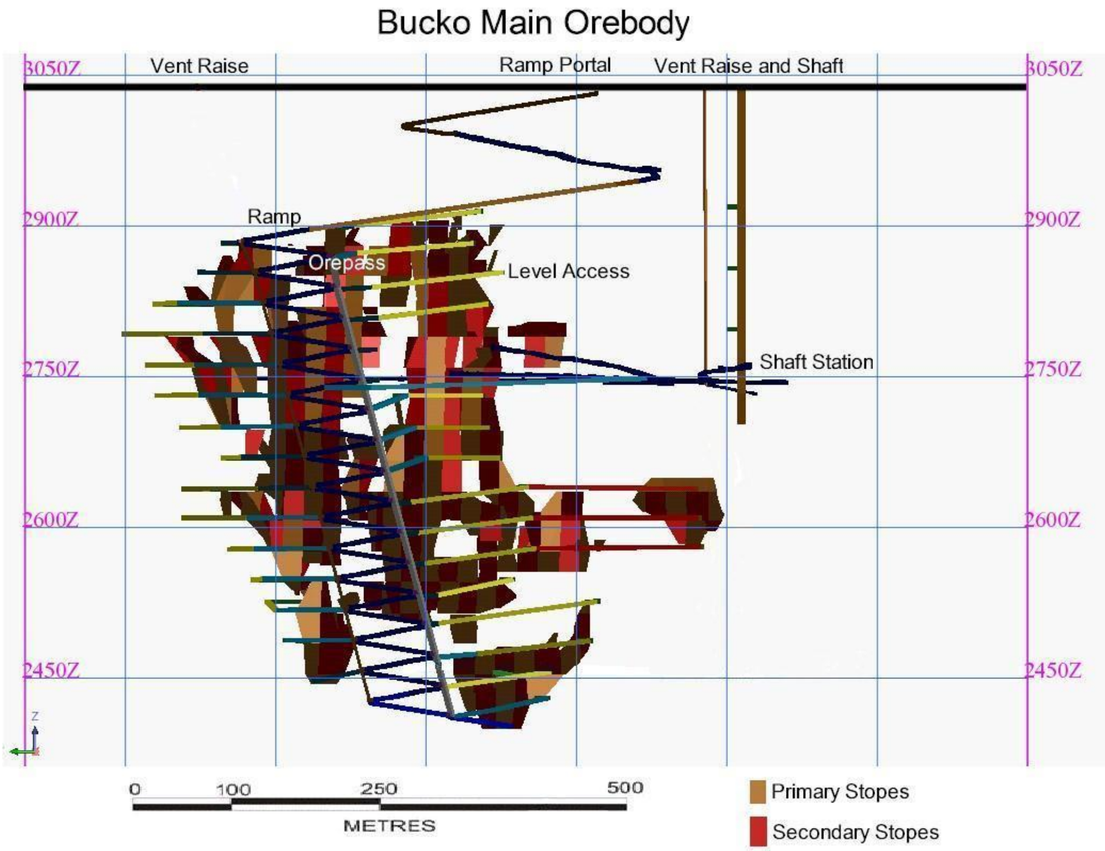
Source: Crowflight, NI 43-101 Technical Report, 2009

Figure 25 View of Bucko Mine Design Looking North



Source: Crowflight, NI 43-101 Technical Report, 2009

Figure 26 View of Bucko Mine Design Looking Northwest



Source: Crowflight, NI 43-101 Technical Report, 2009

16.5 Stoping Considerations

Stopes are mined via conventional long hole and overhand cut and fill methods. The minimum mining width considered is 4m. All overcut and draw point locations are supported with 8' (m) resin rebar and screen as primary support, and fully grouted 20' and 30' (m) cable bolts for secondary support. Recently the mine has started using Swellex for ground support. Where necessary, secondary support is used with the use of shotcrete and screen straps. Drilling up-holes from sill horizons in areas that do not reach the sill above has also been implemented.

In general the stope sequence rules are:

Drill
Load/Blast
Muck
Fill
Cure (28 days)

Stoping areas have been identified as primary and secondary with respect to reserves. Longhole stopes are mined according to the following criteria:

Ore development for each stope must be complete above and below the stope. Maximum stope dimensions are 20 m wide X 20 m long 30 m high.

Each 20 m long stope must be mined and filled from the periphery of the deposit and in general the mining sequence retreats towards more central access.

Stopes that run parallel to each other along strike will be mined and filled moving from the hangingwall to the footwall.

Cut and fill stopes are mined according to the following criteria:

Stope access is via a decline perpendicular to the center of the stope

Primary panels are developed along strike from the decline access at 4.5m wide by 5 m high to the extent of the ore on both sides of the access.

Primary panels are to be mined parallel to each other with a 4.5 m pillar between them. Once a primary panel is mined, the panel is tight filled with cement fill.

Secondary panels are the pillars between the filled primary panels, which are tight filled upon completion.

The back is slashed in the access decline to gain access to the next cut, 5 m above the previous panel.

16.6 Mine Schedule

In order to reduce mining operation costs for the Bucko Mine, the company is evaluating the conversion from the overhand cut and fill mining method to the long hole stoping method for mining at and below the 1000 foot (305 m) level. The mine schedule discussed in the 2012 update of the NI 43-101 is based on both the long hole stoping design criteria and is taken from the Crowflight Materials Inc. 2010 mine plan for the long hole mining method and the January, 2011 overhand cut and fill method recommended by SRK Consulting and updated by WTS Technical Services in August, 2011. There are currently active overhand cut and fill stopes in the upper levels above the 1000 foot level that will be completed and active long hole stopes on the 900 foot (274 m) and 1000 foot (305 m) levels.

Due to a work stoppage order for underground blasting (discussed in Geotechnical Considerations part of this report) and the weakening of the current nickel prices, in June of

2012, the Company decided to temporarily suspend its mining and mill operations at the Bucko Lake Mine. During this time the company has announced that it will "continue its efforts in optimizing the mining plans with the application of long hole stoping methods". The stop order was lifted in June, 2012.

The design criteria used to develop the long hole mine plan are as follows: an advance rate of 3.8 meters per day, in any single heading, and each stope can produce up to 500 tonnes per day. The following activities were included in the stoping process: Longhole drilling – 350 m/day, Loading explosives – Mucking – 1000 tonnes/day (mined tonnes), Filling – 600 t/d (backfill tonnes) and a 28-day curing period. Overhand cut and fill methods utilize 5 meter cuts. Backfill consists of cemented hydraulic tailings.

Mining equipment and crews used in preparing the projected mining schedule include:

One 42 tonne and one 24 tonne capacity haulage trucks
One 7, one 6 and one 2 cubic yard LHD's
Two bolting crews with scissor lift
Two drill jumbos
Two long hole drills
Two development crews
Two scooping crews
One backfill crew

Ancillary equipment of shotcrete machine, personnel carriers, 914 loader, boom truck, emulsion truck, rescue truck and MineCats.

When mining commences after the shut down, the continued mining sequence of development on mining upward from the 1000 foot (305 m) level towards the surface and the continued driving of the internal ramp below the 1000 foot (305 m) level, where long hole mining from the 1600 foot level and 1900 foot level would commence.

Table 25 under Economic Analysis chapter presents a summary of projected production from a future schedule, once the mine starts up again and commences production. The schedule is based on the remaining diluted proven and probable reserves as of April 1, 2012, based on a cut-off grade of 1.25% Ni and spread over a time period based on full plant capacity of 1000 tonnes per day and an average head grade equal to the remaining reserve grade.

16.7 Geotechnical Considerations

The company received a stop work order from Manitoba's Workplace Safety and Health Division on May 11, 2012 for recent ground falls underground which have not resulted in injuries but could have potentially caused injuries to underground miners. The stop work order requirements included:

- Stoppage of underground blasting.
- Backfill all known open voids underground.
- An independent mining engineer to review the current mine plan and audit the last 12 months of mining methods in respect to the mine plan.
- Revise mine plan as required based on the audit and findings.

The Company has complied with the underground stop work order, which has been lifted in June, 2012, but due to the weakening of nickel prices has also suspended milling operations. The Company has indicated on its web site that it will continue its efforts to optimize underground mining methods, (which includes geotechnical considerations and safety) and will "provide a further update when the Company can estimate the expected period of the suspension".

Original geotechnical parameters for the mine design layout for the Bucko Mine maintains that the maximum for open long hole stoping is 20 m wide by 20 m long by 30 m high. The stope stability assessment completed using the Mathews Method has been revisited by the mine based on the updated rock mass classifications expected in stoping areas. The results from the stope stability assessment are consistent with the previous 2005 Golder Study and indicate that the initial stope dimensions for open stoping ranged in rank from stable to requiring support to potentially caving.

Current Ground Control Practices gathered and observed underground during our visit to the mine site in May, 2012 for ultramafic spans up to 5.4m (referred to as Type A) include:

2.1 m Swellex in top 2 m of walls and back (1.8m split sets if bolting into fill) on a 3-2-3 pattern on each screen panel.

1.5 m split sets below 2m from back.

Screen and bolts are to extend to within 1.2m from the sill floor.

Intersection will be bolted with 3.6m Swellex bolts.

Shotcrete has been used in the past to control the weakest ground, and future planning provides for 20% of stope advance to have a 50 millimeter layer applied on back and walls.

In addition to the Type A ground control procedures above, the mine uses selective ground control procedures for Type B to Type F which are modifications to Type A, summarized below:

Type A: Ultramafics spans up to 5.4 m.
Type B: Ultramafics spans between 5.4m to 8m.
Type C: Long term excavations in good ground conditions.
Type D: Ultramafics special cases.
Type E: Level access drifts in Gneiss.
Type F: Auxiliary ground support in large spans.

Additional geotechnical work completed by the mine since 2007:

Preparation of an updated Long Range Mine Plan including geotechnical recommendations by SRK Consulting in January of 2011. The mine method selected by SRK Principal Geotechnical Consultants was overhand cut and fill in 5 meter cuts with cemented backfill, which is under re-evaluation by the Company to consider long hole stoping methods below the 1000 foot (305m) level.

The development of a geotechnical model to infer rock mass quality, an assessment of rock support requirements, an assessment of stope stability to evaluate stope dimensions and stability assessments for the four proposed crown pillars at the site.

Confirmation of bedrock elevation in the vicinity of the Crown Pillar via review of a seismic refraction survey and completion of 4 holes in 2006.

Creation and update of a Rock Mass Rating geotechnical model based on 14,000 detailed geotechnical measurements from core.

Confirmation of material properties through material strength tests completed on rock samples submitted from core and underground workings.

Development and implementation of standard ground control support procedures.

Test mining of low grade material located near the southern extremity of mineralization on the 1000 foot (305 m) mining level.

17. RECOVERY METHODS

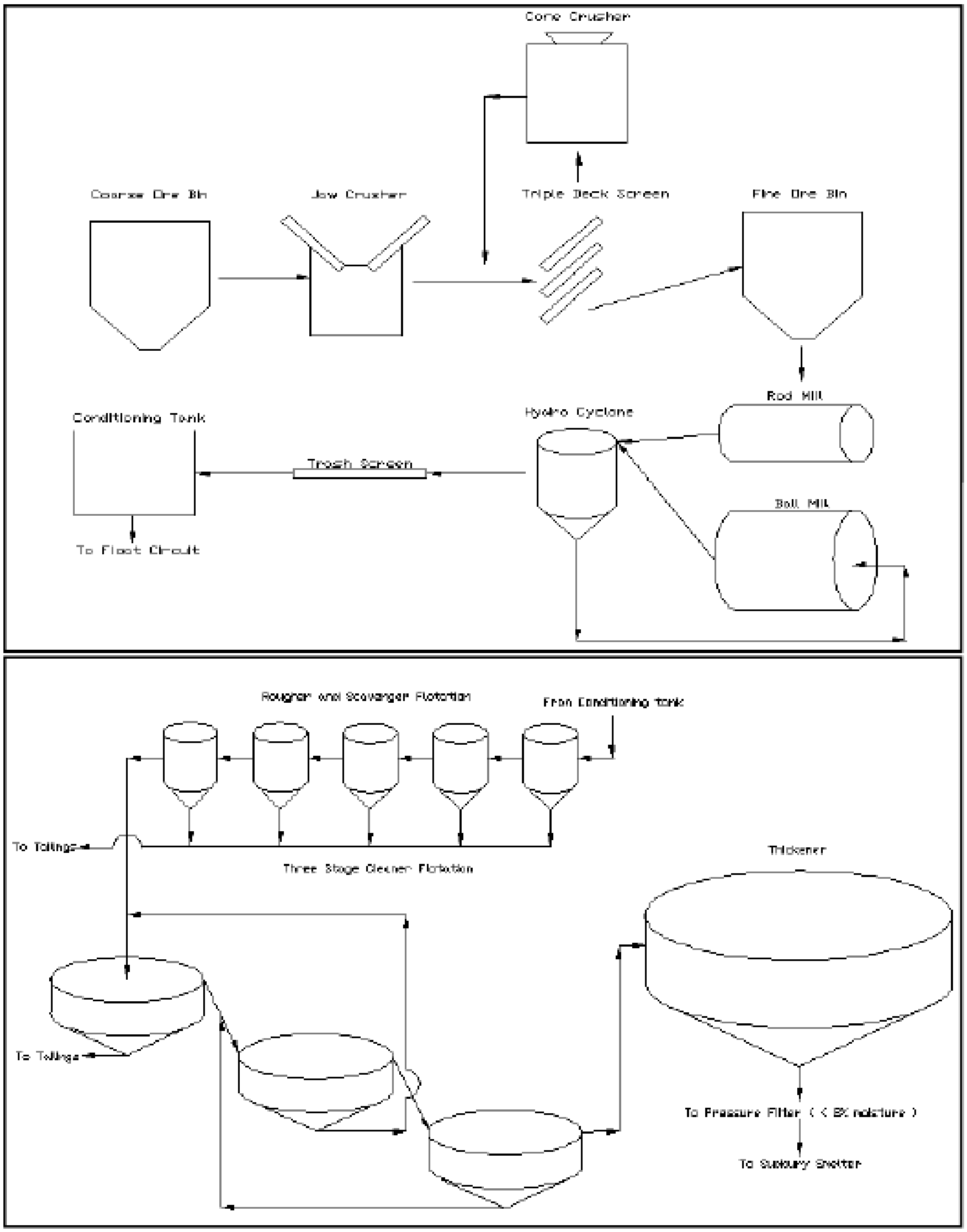
Crowflight Minerals commissioned a 1000 tonne per day milling facility at the Bucko Lake site in 2008. The ore from all mining activities is being processed at this facility to produce a nickel sulfide concentrate that is shipped under the terms of an off take agreement with Xstrata to smelting facilities owned by them in Sudbury, Ontario. As of May 2012, 301,327.8 dry metric tonnes have been processed creating a concentrate of 17,226.8 dry metric tonnes from which 5,459,653.5 lbs of nickel have been produced.

17.1 Milling Operations and Recovery Methods

The operation is designed to treat 1,000 dry ton/day of nickel bearing Bucko Lake Mine ore from the underground mine on the basis of a 24 hour day, 7 day per week operation. The utilization factors used for the calculation of the nominal hourly flow rates are 45% for the primary crusher and 92% for the remainder of the process facilities.

A simplified sketch of the milling process is shown below in Figure 27 below.

Figure 27 Milling Process Flow Sheet



Source: Crowflight, NI 43-101 Technical Report, 2009

17.2 Current Mill Ore Recoveries, Production, Head Grade and Nickel Produced

The company reported that an “average of 79.1% mill recovery rate was achieved in March 2012. A total of 21,032 tonnes of ore with an average feeding grade of 1.19% were milled, producing a record nickel metal of 428,640 lbs for the month. The highest daily recovery rate achieved in March 2012 was 86.1%”.

Production results from Bucko Lake mine for the first quarter of 2012 ("Q1 2012"), each month of Q1 2012, and full year 2011 are summarized in Table 22 below (no production in Q1 2011)”:

Table 22 Bucko Lake Mill First Quarter, 2012 Results

Bucko Lake Mine	March 2012	February 2012	January 2012	Q1 2012	Year 2011
Ore mined (tonnes)	16,011	19,405	25,102	60,518	107,451
Ore milled (tonnes)	20,581	21,081	12,372	54,034	102,069
Head grade	1.19%	1.19%	1.16%	1.18%	1.18%
Mill recovery rate	79.10%	73.40%	71.70%	75.20%	61.00%
Nickel produced (lb)	428,640	406,687	226,729	1,062,056	1,631,916

Source CaNickel Web Site

17.2.1 Crushing and Storage Area

The ore from the underground mine is trucked via the spiral haulage way to surface and stored in the coarse ore shaft bin. The underground run of mine ore is sized through a jaw crusher and cone crusher, series of transfer conveyor belts and vibratory triple deck screen. The jaw crusher sizes the material to 3” (76 mm). The 3 foot (0.9 m) cone crusher then sizes the mill feed product to 5/8 inch (1.6 cm) or less and is directed to a fine ore bin. Four vibrating feeders located under the fine ore bin are used to feed the crushed ore at a controlled rate to the rod mill which is situated in the main mill building.

17.2.2 Grinding

The grinding circuit comprises a rod mill equipped with a 450 horsepower motor followed by a ball mill equipped with a 1,500 horsepower motor. The discharge product from both mills is pumped from the cyclone feed pump box to a cyclone cluster from which the overflow sizing 80% passing 98 microns is routed to the flotation circuit. The underflow from the cyclone cluster, comprising two 457 mm diameter cyclones, is recycled to the ball mill.

17.2.3 Flotation

The flotation circuit is comprised of a rougher/scavenger stage (5 cells) and three cleaner stages. The cleaner circuits consist of 5 primary cells, 3 secondary cells, and 2 tertiary cells. The rougher circuit is fed from the second of 2 conditioners, which are used to mix the initial dose of reagents with the grinding circuit product.

The tailings product from the scavenger cells is combined with the primary cleaner tailings and pumped to either the tailings dam or the backfill plant. The tertiary cleaner concentrate is the final product and is pumped to the concentrate thickener and filter section for dewatering.

17.2.4 Concentrate Dewatering

The overflow from the 5m diameter thickener discharges into the process water tank while the underflow is pumped to the 5.1m diameter concentrate stock tank. The concentrate stock tank is sized to hold 18 hours of flotation concentrate. The thickener operates continuously while the filter circuit operates only 12 hours per day.

The thickened concentrate is pumped at a controlled rate from the stock tank and fed to a Larox Filter. The filtrate product from the Larox Filter is recovered containing approximately 8% moisture, is emptied into a concentrate load out storage area. The concentrate is periodically loaded into trucks and transported to concentrate handling facilities in Winnipeg before it is transferred to rail for shipment to smelting facilities owned by Xstrata in Sudbury.

17.2.5 Backfill Plant

The backfill plant is designed to supply the underground mine with paste backfill. A dedicated pump attached to the final tailing pump box delivers tailings to the backfill cyclone cluster. The backfill cyclone cluster comprises three operating and one standby hydro cyclone. The cyclone overflow, containing approximately 15% solids by weight, gravitates to the flotation tailings pump box while the underflow goes directly into a slurry tank and is pumped into the twin screw and mixed with sand and cement. The undersize from the screen is pumped back to the flotation tailings pump box and the oversize is conveyed to a stockpile. This stockpiled material is reclaimed using a front end loader and mixed with water and cement in the backfill slurry batch mixing tank. When required underground the paste backfill is pumped from the batch mixing tank through a borehole to the underground distribution system.

17.2.6 Reagents

The reagents used in the flotation circuit are:
Potassium Amyl Xanthate (collector) 500g/t float feed or 500kg/d
Dowfroth 250; 27g/t or 27kg/d
MIBC (frother); 120 g/t float feed or 120 kg/d
PE26-CMC (gangue depressant) 1.300g/t or 1,300kg/d
Aero promoter 3418A (collector); 10g/t or 10kg/d
The flocculant recommended from metallurgical testing for concentrate thickening is:
Nalco 8185 and 9877, 10g/t of concentrate or 0.8 kg/d
Suitable storage, make up systems and dosing facilities have been included within scope of the process plant and infrastructure design.

17.2.7 Plant Utilities, Services and Water Systems

A low-pressure air blower, plant air compressor and instrument air compressor with ancillaries have been included within the scope of concentrator building services.

The reclaim water pumps and line from the tailings deposition area feed the process water tank which is situated near the main process building. Process water pumps are utilized to feed the process water distribution system. Emergency water demand is also supplied from the process water tank. Fresh water in the plant is used for the potable water system, gland seal water and the fresh water distribution system.

18. PROJECT INFRASTRUCTURE

The CaNickel properties near Wabowden, Manitoba have an excellent infrastructure of roads, rail, power, personnel, and equipment. The town of Wabowden has approximately 500 full time residents with modest facilities for provisions, fuel and accommodations. CaNickel has constructed a living and dining facility for mining personnel in the town.

A system of improved dirt roads connects the town, mine and satellite properties. These can be considered year round accessible and the winter actually affords increased access due to the frozen nature of the surrounding wetlands.

There is an excellent electrical power grid as well as an efficient phone an internet system. The Bucko Lake Mine has a full complement of mining and milling facilities and equipment; now on a standby status.

18.1 Backfill Paste Plant

Per CaNickel, in order to reduce the backfill costs and to increase the quality of backfill, CaNickel was in the process of constructing a new paste backfill plant at its Bucko Lake Mine. All surface construction and equipment was completed and the plant has received engineering and electrical certification. However, due to the temporary suspension of operations at Bucko Lake Mine, CaNickel has decided to put the commissioning of the paste backfill plant on hold at this time.

As of June 30, 2012, a total of $5.9 million expenditures were incurred in the construction of the paste backfill plant.

18.2 Tailing Management Area (TMA)

From the CaNickel website, in September 2011, the Company was granted by the Manitoba government a revised Environment Act License to construct and operate a land based tailing management area at its Bucko Lake Mine. The TMA is an expansion of the existing Interim Tailing Storage Facility and has a foot print of approximately 65.5 hectares to store all tailing from Bucko Lake Mine for the remainder of its existing mine life. Environmental studies indicated that the TMA would have a net benefit in relation to the environmental impact, eliminating the need for sub-aqueous deposition of the tailing into Bucko Lake. The construction of the TMA is carried in two phases and the phase I construction was completed and put in used in March 2012.

As of June 30, 2012, a total of $4.3 million expenditures were incurred in the construction of the TMA.

19. MINE AND MARKET CONTRACTS

19.1 Contracts

Table 23 and 24 presents a list of mine contractors and suppliers in place that enable the mining, concentrating, transportation, handling and refining of all products from the Bucko Mine site. These contracts and rate structures are consistent with industry norms and are reflected to the costs used to determine reserves presented in this report.

Table 23 List of Mine Contractors

Name	Service
Ontario Inc.	Mining Plan
Taurus Drilling Services LLC	Long Hole Drilling
Mistik Hauling Inc.	Surface Rock Handling
Blue Coast Metallurgy Ltd.	Metallurgist Consultation
Goble Technical Services	Metallurgist Consultation
Kleysen Group LP	Concentrate Haulage and Handling
AIT Automization Inc.	Mill Electrical Consultation
Element Drilling Ltd.	Diamond Drilling
Golder Associates Ltd.	Environmental Services
Outland Reforestation Inc.	Catering and Housekeeping Services

Source: Fong Jiu, CaNickel, July 2012

Table 24 List of Major Mine Suppliers

Name	Service
DSI	Ground Support Products
Orica Canada Inc.	Explosives
Multicrete Systems Inc.	Shotcrete
The Whitwell Group (Hudson Cement)	Cement
Stittco Energy Limited	Propane
Univar Canada Ltd.	Reagents
Legault Metal Inc.	Grinding Media
Barnes Distribution	Mine Maintenance Supplies and Parts

Source: Fong Jiu, CaNickel, July 2012

19.2 Smelting Contract - Off Take Agreement

Under the terms of an off take Agreement with Xstrata, all concentrate to be produced from the deposit will be shipped to Xstrata under payment terms specified in the Agreement. These terms are subject to fluctuations in the spot market price for nickel.

Under the terms of the Agreement, a net smelter return (NSR) is payable to Xstrata on the proceeds of production for all nickel sold at a monthly average daily spot price that is greater than US $6.00 per pound of nickel. The NSR is not payable for product sold at a metal price less than US $6.00 per pound of nickel.

20. ENVIRONMENTAL CONSIDERATIONS

CaNickel Mining Limited has filed a site closure plan as required with the Manitoba Department of Mines. As part of this plan, the company has posted bonds to ensure proper site reclamation is completed following mine closure.

The company has also received the permit for the permanent tailing disposal site, to replace the interim storage permit, which was in use before the approval of the permanent permit. The permit is for the life of the mine.

The Bucko and Bowden and Halfway Lake properties fall in the category "Unorganized Territory" according to the Land Use Manager for the Ministry of Natural Resources of Manitoba. As the site is within 5 miles of the Wabowden Community boundary, the community will be consulted by Natural Resources in any permitting activity (Nuinsco Resources Ltd., May 12, 2000).

The only remnants of the previous work completed on the site of Bowden property are the concrete foundations, the shaft collar itself and a set of wood and steel diamond drill storage racks, currently being removed from the site. The shaft openings are all capped with concrete slabs. There are also some underground workings on the property.

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

21. ECONOMIC ANALYSIS INCLUDING SUSTAINING CAPITAL COSTS

21.1 Basis of Evaluation

The author has prepared a simple, assessment of the indicative, pre-tax economics of the Life-of-Mine Plan around the existing facilities at the Bucko site to extract and treat 1,000 tonnes per day of nickel ore (363,000 tonnes per year). Based on a total of 2,609,920 tonnes of diluted proven and probable reserves, grading 1.43% Ni, a mine life of 7.2 years is considered. A 1.25% Ni cut-off grade was used in the determination of the reserves. See Table 25 below for the projected production schedule based on the updated April 1, 2012 Diluted Proven and Probable Reserves for the Bucko Underground Mine.

Table 25 Production Schedule

Year	1	2	3	4	5	6	7	8	Total
Tonnes	363,000	363,000	363,000	363,000	363,000	363,000	363,000	68,920	2,610,000
Grade	1.43	1.43	1.43	1.43	1.43	1.43	1.43	1.43	1.43
Lb Ni	11,478,000	11,478,000	11,478,000	11,478,000	11,478,000	11,478,000	11,478,000	2,179,000	82,531,000
mine life years =		7.19							

Mining is included down to 1860L (2490 meter elevation) which is 553 meters below the surface and 268 meters below the rock breaker and grizzly just above 1000 ft (305 m) level. This is not the bottom on the known deposit.

21.2 Parameters

The parameters used for determining the life of mine operating economic analysis are based on historical mine and mill operating costs and mill recoveries during the first quarter of 2012 taken from the Company monthly reports. The average last three years Ni metal price is used (2009 to 2012) and Ni price, nickel grade and operating costs sensitivity are prepared. Table 26 below illustrates the operating production and cost data used in the preparation of the Economic Analysis.

Table 26 Operating, Milling Cost, Smelter and Recovery Parameters

Parameter	Units	Value		
Ni Price	$/lb	$ 8.50	Average last 3 years	
Mining Cost	$/tonne	$ 63.53		
Process Cost	$/tonne	$ 38.13		
Process Recovery	%	79%		
G/A	$/tonne	$ 7.84		
Concentrate Shipping	$/tonne	$ 60.00		
Concentrate Ratio	X:X	10:1		
Smelter Treatment Charge	$/tonne	$ 125.00		
Smelter Payables	%	90%		
Refining Charges	$/lb Ni	$ 0.60		

21.3 Mining Method and Development Requirements

The above operating historical costs are based on a combination of Cut and Fill and Longhole stoping methods. Operating costs include some historical development costs for ramps, levels, main cross cuts and definition drilling access and additional sustaining capital is included.

Based on key ratios recommended and derived by SRK in a Five Year Mine Plan Report, dated January, 2011 the following key ratios.

110 ore tonnes per meter of waste development.
0.60 waste tonnes per ore tonne.
0.69 replacement ratio (backfill tonne per ore tonne).

Table 27 Development Meters, Waste and Backfill Tonnes per Year

Tonnes/ Year Mill	Waste Development Meters/yr	Waste Tonnes/yr	Backfill Tonnes/yr
363,000	3,300	217,800	250,470

Waste tonnes include waste from raises and mineralized waste material.

Based on the SRK Five Year Plan, January, 2011

The following underground raise requirements are included.

Table 28 Life-of-Mine Plan Raising Requirements

Raise Description	Type	Length (m)	Size (m)	Waste Tonnes	Ground Support	Manway
New Bored FAR from Surface	bored	320	2.13 dia	3,072	No	No
Fresh Air Raise 1000L to 1860L	drop	200	3.6 X 3.6	7,698	Yes	Yes
Exhaust Raise 900L to 1000L	drop	28	3.6 X 3.6	1,078	No	No
South Extension Vent Raise	drop	58	2.4 X 2.4	992	Yes	Yes
Short 11m Vent Drop Raises	drop	99	2.4 X 2.4	1,694	No	No
Sand Raise Extn 900L to 1860L	drop	298	2.4 X 2.4	5,098	No	No
Total		1,003		19,632		

21.4 Sustaining Capital Costs

Added sustaining waste development costs for ramps, levels, main cross cuts and definition drilling access have been included with the Operating Pre-tax Economic Evaluation update.

Additional sustaining underground definition drilling costs have also been capitalized on an annual basis.

Definition drilling, $0.25M/yr
Lateral development, $0.50M/yr
Raising, $0.25M/yr
Mobile equipment/Plant Capital $1.00M/yr
Total Estimated Sustaining Capital/yr = $2M/yr = $5.51/tonne (mine and mill operations only)
363,000 tonnes ore per year
363 days per year
1,000 tonnes ore per day

All capital costs before the start of the updated economic analysis is considered to be sunk costs. As no pre-production capital is required due to the completion of the project construction and commissioning and repayment of project debt, calculation of the internal rate of return (IRR) is irrelevant.

21.5 Ore Processing

Ore is processed at the mill to produce a nickel sulfide concentrate that is shipped to smelting facilities in Sudbury under the terms of an off-take agreement with Xstrata.

The basic process at the Bucko Lake mill consists of primary crushing, grinding, floatation to produce a single bulk concentrate, concentrate dewatering and tailings disposal.

21.6 Royalties and Taxes

Xstrata is entitled to a 2.5% Net Smelter Return (NSR) royalty at nickel prices equal to or greater than US$6.00 per pound. Xstrata is not entitled to any royalty below nickel prices of USD $6.00/pound.

21.7 Summary of Pre-tax Economic Evaluation

Table 29 below is a summary of the Pre-tax Economic Evaluation of the CaNickel Life-of-Mine Plan Reserves as of 4/1/2012. The mine life is 7.2 years. The evaluation is in United States Dollars ($US).

Table 29 Pre-Tax Economic Evaluation

CaNickel Mining Limited Pre-tax Economic Evaluation			$US dollars
Life-of-Mine Plan Reserve Update 4/1/2012			
NI 43-101 Technical Report Update			
	Parameters		
	Units	**Value**	**Total**
Total Tonnes to Mill	**tonnes**		**2,609,920**
Tonnes/yr	**tonnes**		**363,000**
Mine Life	**years**		**7.19**
Ni Grade	**%**		**1.43**
Ni Lbs	**Lbs**		**82,528,111**
Mill Recovered Ni Lbs	**%**	**79%**	**65,197,208**
Smelter Payables	**%**	**90%**	**58,677,487**
Ni Sales Revenue before refining	**$/lb**	**$ 8.50**	**$ 498,758,639**
Concentrate Tons	**X:X**	**10:1**	**260,992**
Concentrate Shipping	**$/tonne**	**$ 60.00**	**$ 15,659,520**
Smelter Treatment Charge	**$/tonne**	**$ 125.00**	**$ 32,624,000**
Refining Charges	**$/lb Ni**	**$ 0.60**	**$ 39,118,325**
Net Smelter Return (NSR)	**$**		**$ 411,356,794**
Xstrata Royalty	**%**	**2.5%**	**$ 10,283,920**
NSR after Royalties	**$**		**$ 401,072,874**
Mining Cost	**$/tonne**	**$ 63.53**	**$ 165,795,168**
Process Cost	**$/tonne**	**$ 38.13**	**$ 99,516,250**
G/A	**$/tonne**	**$ 7.84**	**$ 20,461,773**
Subtotal Mine, Mill G&A Costs	**$**		**$ 285,773,190**
Total Cost per Tonne	**$/tonne**		**$ 109.50**
Net Revenue before Capital	**$**		**$ 115,299,684**
Sustaining Capital Costs	**$/tonne**	**$ 5.51**	**$ 14,380,659**
Pre-tax Revenue after Capital	**$**		**$ 100,919,025**
Discount rate	**%**	**6%**	
Net Present Value	**$**	**$80,027,981**	

The Company management believes that the future conversion from the Overhand Cut and Fill mining to Long Hole stoping methods in the lower levels of the mine, will reduce mining unit costs from current the 2012 costs of $US 63.53/tonne to $US 50.00/tonne (a reduction of 20%) at the Bucko Underground Mine (Dr. Chen, CEO for CaNickel Mining Limited, May of 2012 at the mine site). For the economic evaluation, the historical 2012 unit costs are used.

21.8 Sensitivity Study and Risk Analysis

Sensitivity analysis for net present value has been applied to the base case pre-tax economic evaluation for the price of nickel per pound, nickel grade in percent nickel and underground mine operating costs per tonne of ore to the mill varying the Base Case values from -30% to +30% in 10% increments.

Table 30 Sensitivity Analysis of the Base Case Life of Mine Plan Pre-tax Economic Evaluation for Net Present Value

CaNickel Mining Limited					
Sensitivity Analysis					
Net Present Value of Pre-tax Cash Flow at 6% Discount Rate					
US Dollars					
Sensitivity Values into LOM Pre-Tax Economic Evaluation					
Percent Change	**Nickel Price/lb**	**Nickel Grade %**	**Mining Unit Cost/tonne**		
+30%	**$ 11.05**	**1.86**	**$ 82.58**		
+20%	**$ 10.20**	**1.72**	**$ 76.23**		
+10%	**$ 9.35**	**1.58**	**$ 69.88**		
Base Case	**$ 8.50**	**1.43**	**$ 63.53**		
-10%	**$ 7.65**	**1.29**	**$ 57.17**		
-20%	**$ 6.80**	**1.15**	**$ 50.82**		
-30%	**$ 5.95**	**1.00**	**$ 44.47**		
Sensitivity Net Present Value at 6% Discount Rate					
Percent Change	**Nickel Price/lb**	**Nickel Grade %**	**Mining Unit Cost/tonne**		
+30%	**$195,715,129**	**$186,641,628**	**$40,585,708**		
+20%	**$157,152,747**	**$151,103,745**	**$53,733,132**		
+10%	**$118,590,364**	**$115,565,863**	**$66,880,557**		
Base Case	**$80,027,981**	**$80,027,981**	**$80,027,981**		
-10%	**$41,465,598**	**$44,490,099**	**$93,175,405**		
-20%	**$2,903,215**	**$8,952,217**	**$106,322,830**		
-30%	**($35,659,167)**	**($26,585,666)**	**$119,470,254**		
Breakeven Nickel Metal Price/Lb at 6% discount rate =				**$6.74**	**per lb**

21.9 Risks and Opportunities

21.9.1 Project Risks

The author believes that the most significant risks to the project are those listed below.

The project economics are breakeven (at a 6% discount rate) at US$6.74/lb nickel metal price. Continued decline in base metal prices can significantly affect the economics of the Bucko Mine.

The deposit is of relatively low grade and the mining is relatively expensive due to the geometry of the target mineralization and weak ground conditions inherent within the deposit.

There is a risk of a production shortfall if the waste development schedule is not achieved.

21.9.2 Project Opportunities

The author believes that the most significant project opportunities are those listed below.

- Any increase in the nickel price will directly improve the project economics.

- An independent study by SRK suggests that numerous drill targets exist to be drill tested from current infrastructure, in an attempt to increase the resource base and to increase longer term mining flexibility.

- Continued optimization of the Life of Mine Plan and Mining Methods.

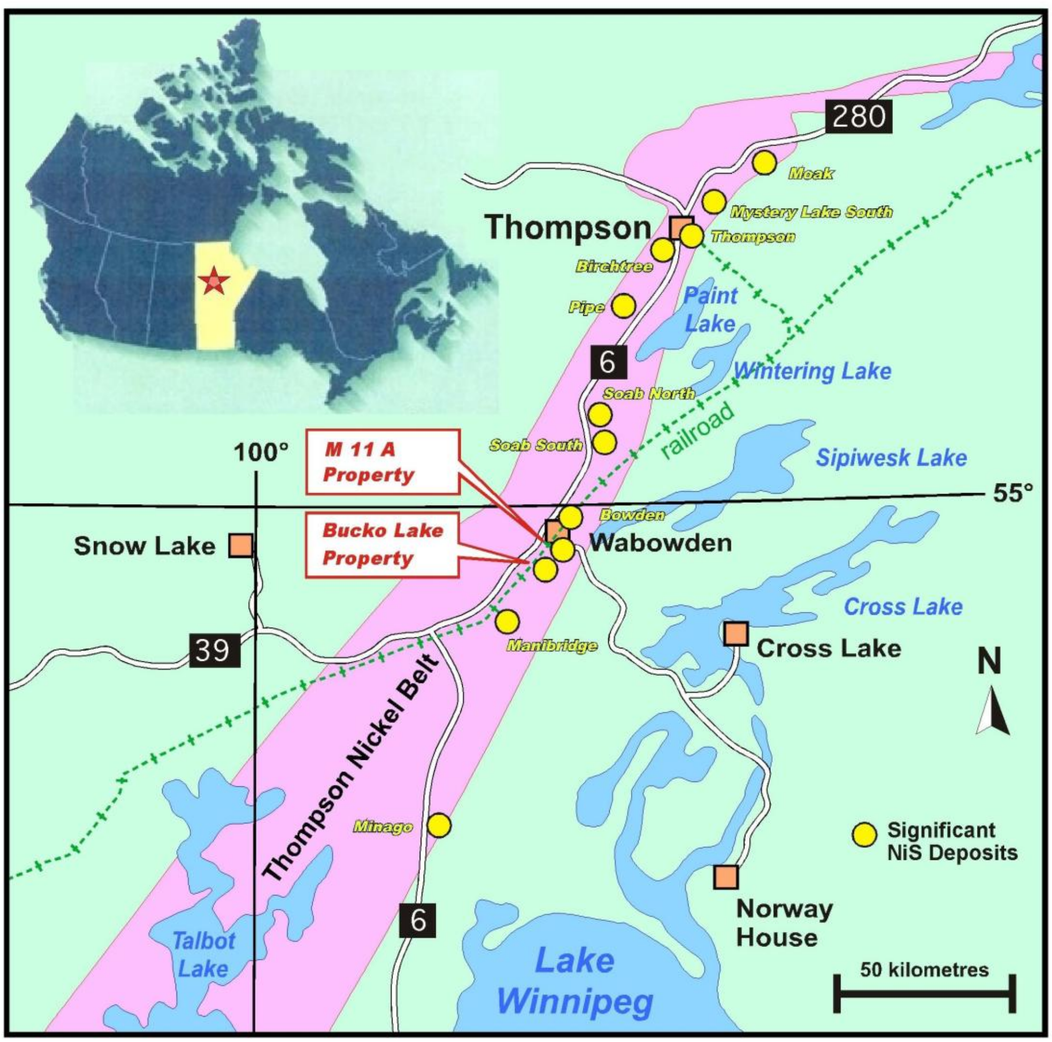
- Continued optimization of the mill operations is underway with significant improvements to ore recovery rates at the mill in the first quarter of 2012.

- The satellite deposit M11A and other deposits held by CaNickel Mining Limited can enhance operating cash flow and provide low cost ore to the mill.

22. ADJACENT PROPERTIES

Within the Thompson Nickel belt, there were many nickel mines including Pipe #1 Mine, Pipe #2 Open Pit, Thompson Mine, Birchtree Mine, Manibridge Nickel Deposit, Sherritt Gordon Mine and projects such as Hititrite Prospect, Moak Prospect, Brunne Lake Prospect, and many others. So there are currently two producing nickel mines and several historical nickel mines within this nickel belt. Some former mines may return to production when the nickel prices increase significantly. And some nickel projects may begin production when the nickel price has increased. Refer to Figure below illustrating adjacent properties to the Bucko Lake Project.

Figure 28 Adjacent Property Map



23. OTHER RELEVANT DATA

At this time, we are not aware of any other available data or information relevant to the Bucko Lake Mine.

24. INTERPRETATION AND CONCLUSIONS

The information presented in the resource chapter of this 43-101 Technical Report indicates the Bucko Lake Mine, and satellite deposits, M11A, Bowden Lake, Apex and Halfway Lake contain significant nickel-copper resources. Additionally, the existing mineralization data suggest that the many nickel-copper veins that cross the several projects have potential to host additional nickel-copper deposits similar in size and quality to the already defined deposits. We believe an intensive surface sampling, in-fill and step-out tunneling and underground drilling campaign stands a very good chance of significantly extending and expanding the nickel-copper mineralization in the Thompson Nickel District.

Based on experience of the mined areas, the Bucko Lake Mine reserves categorized in this Technical Report as Proven and Probable, resources categorized as measured and indicated are assumed to be reasonably recoverable. It appears from presently available data there are no significant technical issues to preclude successful mining and processing of the nickel-copper mineralization. Combined with an excellent existing infrastructure and favorable metal prices, the Thompson Nickel District projects could well be expanded and developed as standard operations.

The nickel-copper targets that occur on the vein structures require further exploration. Several of these targets are especially interesting: (1) the irregular, folded and faulted veins in the Bucko Lake area; (2) the deeper extensions of the veins in the Bucko Lake area; (3) the extensions of some of the M11A project suggests the veins may be plunging north at a shallow angle and extending vertically deeper. These targets have had a moderate amount of previous work, but none have been fully explored.

In summary, we believe the Bucko Lake Mine and the satellite M11A, Apex, Bowden Lake and Halfway Lake Projects within the Thompson Nickel District South provide the opportunity for a continued operation and perhaps a new mine to develop a 43-101-compliant nickel-copper resource. The resource and reserve, which has been audited as reported in this Technical Report, appears to include reasonable dilution and mining recovery factors suitable for a scoping level study. There appears to be room to significantly expand the known resources, and there are a number of interesting and promising exploration targets that offer potential for future viable discoveries.

25. RECOMMENDATIONS

25.1 Phase I Recommendations

25.1.1 Bucko Lake Mine

Additional underground drilling is required between 1000' (305 m) and 1400' (427 m) level to replace and expand reserves that will be mined out between 500' (152 m) and 1000' (305 m) level and to further investigate the resource potential of both the Bucko Main Zone and the Hinge Zone below 1400' (427 m) level.

Investigate further the resource potential of the Footwall Zone that was discovered in 2008, 1000' (305 m) level infill drilling and footwall drift development. The most cost efficient location to do this definition and exploration drilling will be from the existing 1000' (305 m) level Hanging Wall Exploration Drift to drill down holes. The best time to do the above mentioned drilling is now, while the Bucko Mine is in the Care and Maintenance mode to give the drilling and defining of resource-reserve a head start to prepare for the restart of the Mining operation when the price of Nickel goes up and stays up at the favorable levels in the near future.

Estimated drilling 50 core holes at 100 meters/hole or 5,000 meters at $300/m ($C) totals $1,500,000.

25.2 M11A Deposit

Develop an underground mine plan using the mineralized zone wireframe to target indicated resource areas.

Using the updated mine plan, carry out a Preliminary Assessment study to investigate the possibility of developing the M11A N deposit as a supplemental feed deposit to the Bucko Mill.

Estimated Mine Plan Reserve and Resource, and Preliminary Assessment $200,000 ($C).

25.3 Exploration Drilling - Thompson Nickel Belt South

Plan and carry out Regional Exploration Program to increase the overall resources for the Thompson Nickel Belt North and South land packages.

Significant and potentially economic Platinum Group Elements (PGE's) and Cobalt values were obtained from the recent check core sampling completed by Geologica. Geologica recommends that extensive assaying for PGE's be conducted on drill core rejects in and near the known Nickel zones. All future drilling should be assayed for PGE's.

Estimate 10 exploration holes at 500m/hole or 5000 meters at $300/m = $1,500,000

25.4 Mining

Develop mine plan to utilize long hole stoping methods and improve ground control methods and backfill techniques.

In house costs.

25.5 Technical Staffing - Mineral Resource and Reserve Estimates and Updates

Hire additional engineering and geology staff to ensure up to date resource and reserve calculations are made. Increase monitoring of mine plans, ventilation and ground control.

Estimated costs = $300,000 per year.

26. REFERENCES

A list of technical reports and publically available data that has been reviewed is presented below:

Micon International Ltd.: Nuinsco Resources Ltd, Review of the Mineral Resources, Infrastructure and Operating Plans of the Bucko Lake Nickel Project (March, 2001), p.10

Falconbridge Ltd. Monthly Reports from September, 2004-April, 2005

Mallinson, T.: Report on the 1992 Exploration Program Resting Lake Project – Falconbridge file number R- 6589 (filed for assessment with MB Dept. of Mines)

Geologica Group-Conseil: Crowflight Minerals Inc. 43-101 Technical Evaluation Report of the Bowden Lake, Halfway Lake and Resting Lake Properties Northern Manitoba (Internal Report)

Puritch, E. and Ewart, D.E. 2005. "P&E Technical Report and Resource Estimate on the Bucko Lake Property, the Pas Mining District Manitoba, Canada", NI 43-101 Technical Report

Micon International Limited, 2006. "Feasibility Study for the Bucko Lake Project, Wabowden, Manitoba". NI 43-101 Technical Report

Crowflight Minerals, 2007. "Updated Feasibility Study"NI 43-101 Technical Report Regarding the Update to Reserves and resources for the Bucko Lake Nickel Project, Wabowden. Manitoba", NI 43-101 Technical Report"

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Golder Associates Ltd., 2005. "Bucko Project Geotechnical Study", Technical Report

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Shouldice, T, G&T Metallurgical, 2007."Further Metallurgical Development Studies of the Bucko Lake Project, Crowflight Minerals Inc., Northern Manitoba, Canada" Technical Report KM1914

SRK Consultants, 2011 "Updated Five Year Mine Plan Bucko Lake Mine, Wabowden, Manitoba" (internal report)

Crowflight Minerals Inc., April, 2010 "Assessment Report" (Internal Report)

Crowflight Minerals Inc., January, 2010 “Bucko Lake Nickel Mine Resource Model Update Report” (internal report)

27. CERTIFICATES OF QUALIFIED PERSONS, DATE AND SIGNATURE

Lane Arnold Griffin

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CERTIFICATE OF QUALIFIED PERSONS

Lane A. Griffin

1. I, Lane Griffin B.S. Geology, Registered Geologist SME, Licensed Geologist, State of Washington certify that I am a Senior Geologist, self employed, 321 Spokane Street, Richland, WA. 99354

2. The Technical Report to which this certificate applies is entitled "NI 43-101 Technical Report Regarding the Update to Reserves and Resources for the Bucko Lake Nickel Project, Wabowden, Manitoba" and is effective October 19, 2012 (the "Technical Report").

3. I graduated from Washington State University with a Bachelor of Science degree in Geology in 1972. I am a registered member of The Society of Mining Metallurgy and Exploration. I am a licensed geologist in the State of Washington. I have worked in my profession for 36 years since graduation and have the relevant experience and knowledge to evaluate the Bucko Lake property. I fulfill the requirements to be a "Qualified Person" for the purposes of NI 43-101.

4. I visited the property for 6 days in May 2012.

5. I am responsible for chapters 1, 4, 5, 6, 7, 8, 17, 18, 23, 24, 25 of the report.

6. I am independent of the issuer as described in section 1.5 of NI 43-101.

7. I have had no prior involvement with the property that is the subject of the Technical Report.

8. I have read NI 43-101 and certify that the parts of the Technical Report for which I am responsible have been prepared in compliance with the Instrument.

9. As of the effective date of the Technical Report, to the best of my knowledge, information, and belief, the parts of the Technical Report for which I am responsible contain all scientific and technical information that is required to be disclosed to the Technical Report not misleading.

Dated this 19th day of October, 2012

Lane A. Griffin, Licensed Geologist, State of Washington # 2376

SME
Society for Mining, Metallurgy & Exploration
Lane A. Griffin
SME Registered Member No. 4058464
Signature
Date Signed 10-19-12
Expiration date 1-2013

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CERTIFICATE OF QUALIFIED PERSON

1. I, Paul L. Martin, L.P. Mine Eng., BS Mine of Post Falls, Idaho do hereby certify I am a Consulting Mining Engineer residing at 606 S. Osprey Dr., Post Falls, Idaho, 83854, U.S.A.

2. The Technical Report to which this certificate applies is entitled "NI 43-101 Technical Report Regarding the Update to Reserves and Resources for the Bucko Lake Nickel Project, Wabowden, Manitoba" and is effective October 19, 2012 (the "Technical Report").

3. I graduated with a B.Sc. in Mining Engineering from the University of Arizona in 1976. I am a licensed Professional Mining Engineer in the State of Nevada (#010607), a Professional Member of the Society of Mining Engineers (SME). I have worked as a Mining Engineer and Operations/Engineering Manager for the past 36 years. I fulfill the requirements to be a "Qualified Person" for the purposes of NI 43-101.

4. I visited the Bucko Lake and M11A properties 4 days in May 2012.

5. I am responsible for Chapters 13, 14, 15, 16, 19, 20, 21, 22 and 26 of this report. I co-authored Chapters 1, 2, 3, 4, 5, 6, 7, 10, 12, 23, 24 and 25 of this report.

6. I am independent of the issuer as described in Section 1.5 of NI 43-101.

7. I have had no prior involvement with the Bucko Lake or M11A and Satellite properties.

8. I have read NI 43-101 and certify that part of the Technical Report for which I am responsible has been prepared in compliance with the Instrument.

9. As at the effective date of the Technical Report, to the best of my knowledge, information and belief, the parts of the Technical Report for which I am responsible contain all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.

Dated this 19th day of October, 2012

PAUL MARTIN

Paul L. Martin, Professional Member – SME (2040600), BS Mine Eng., Licensed Professional Mining Engineer (Nevada #010607)

PROFESSIONAL ENGINEER - STATE OF NEVADA
PAUL L. MARTIN
MINING
No. 10607

10/19/12

CERTIFICATE OF QUALIFIED PERSON

1 I Chris Broili, P. Geo, M Geo of Centralia, Washington do hereby certify I am a Principal Geologist with BK Exploration Associates 2104 Graf Road, Centralia, Washington, U.S.A.

2 The Technical Report to which this certificate applies is entitled "NI 43-101 Technical Report Regarding the Update to Reserves and Resources for the Bucko Lake Nickel Project, Wabowden, Manitoba" and is effective October 19, 2012 (the "Technical Report").

3 I graduated with a B.Sc. in Geology from Oregon State University in 1970 and a M.Sc. in Economic Geology from the University of Idaho, College of Mines in 1974. I am a licensed Professional Geologist in the State of Washington (#547), a Certified Professional Geologist in the United States (#7937) with the American Institute of Professional Geologists. I have worked as a Geologist and Manager for the past 40 years. I fulfill the requirements to be a "Qualified Person" for the purposes of NI 43-101.

4 I visited the Bucko Lake and M11A properties 7 days in May 2012.

5 I am responsible for Chapters 2, 9, 10, 11 & 12 of this report.

6 I am independent of the issuer as described in Section 1.5 of NI 43-101.

7 I have had no prior involvement with the Bucko Lake or M11A properties.

8 I have read NI 43-101 and certify that part of the Technical Report for which I am responsible has been prepared in compliance with the Instrument.

9 As at the effective date of the Technical Report, to the best of my knowledge, information and belief, the parts of the Technical Report for which I am responsible contain all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.

Dated this 28th day of October, 2012

Chris Broili, C.P. Geo. & L.P. Geo.