

October 31, 2011

## SUNDSBERGET RESOURCE UPGRADE BACKGROUND

### History of the Sundsberget Deposit

On October 1 2009, an exploration license was granted for Rönnbäcksjön nr 7, which encompassed a new area of mineralization discovered to the north of Rönnbäcksnäset and north of the lake. The focus of the 2009/2010 winter drill program was to test for nickel sulphide mineralization at Sundsberget. Drilling identified extensive tonnage of mineralized ultramafic host-rock at Sundsberget. The initial assay results for the Sundsberget area confirmed that significant thicknesses of mineralised serpentinite rock occur over an area in excess of 1,000 metres by 400 metres and that the mineralisation is open down-dip.

Another drill campaign commenced on June 7<sup>th</sup> 2010, the focus of which was to infill and extend the nickel sulphide mineralization at the Sundsberget deposit. Drilling of the infill drill holes was mainly at a distance of 100 metres spacing and 200 metres between the sections. Subsequently a number of holes on a 200 metre by 200 metre grid were drilled to test the down-dip extension of mineralisation to the southwest. The drilled area covered more than 1000 metres by 600 metres. Infill drilling revealed that the ultramafic host rock sequence dips at about 30 to 35 degrees towards the west-northwest. In the west, the vertical thickness of ultramafic is more than 400 metres and is open at depth. Drilling indicated that the thickness of non-mineralised cover is shallow or absent over the deposit and that the area contains mineralisation with potentially sufficient grade and thickness for economic extraction by open pit methods with an exceptionally low strip ratio. To-date, a total of 33 diamond drill-holes have been completed in the Sundsberget deposit, comprising 7100 metres.

This work provided sufficient detail for an initial resource estimate to be prepared by the Mitchell River Group. The NI 43-101 compliant Mineral Resource Estimate prepared on October 27, 2010 for the Sundsberget deposit included a total of 185.7 Mt of Inferred Mineral Resources with an average total nickel content of 0.176%: of which 0.104% is nickel in sulphide (Ni-AC). The calculated waste to ore strip ratio from the Whittle optimisation for the Sundsberget deposit was 0.78:1 with a total waste tonnage of 141 million tonnes.

### Sundsberget Resource upgrade from Inferred to Indicated

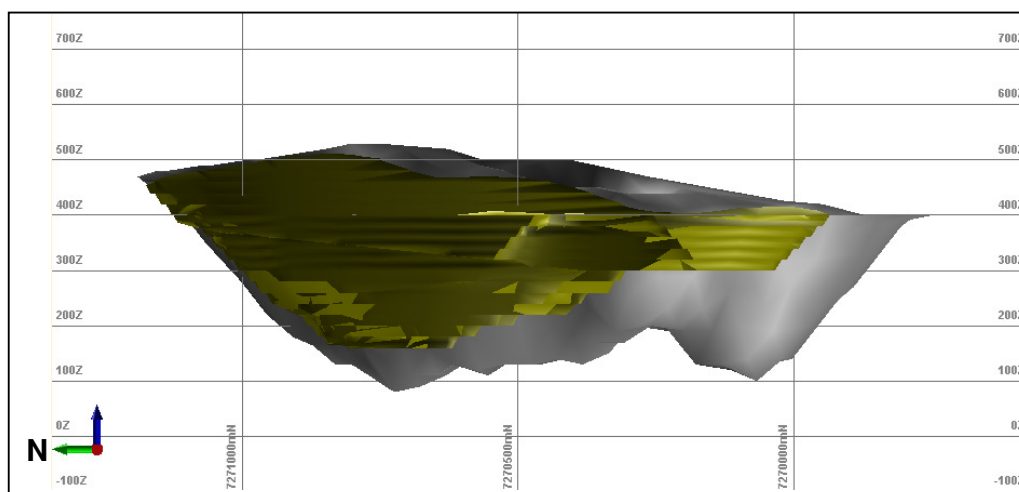
SRK Consulting (Sweden) AB (SRK) has prepared an updated resource estimate based on their review of all available data from the Sundsberget deposit, one of three deposits at the Rönnbäcken Nickel Project. In its review, SRK has upgraded the deposit from an inferred to an indicated resource, and has added a further 111 million tonnes (Mt) of indicated resources. The indicated resources now comprise 296.9 Mt with an average total nickel content of 0.170% of which 0.088% is nickel in sulphide (Ni-AC), this compares with the previous inferred resource statement of 185.7 Mt with an average total nickel content of 0.176% of which 0.104% is nickel in sulphide (Ni-AC).

SRK considered the previous resource statement prepared by Mitchell River Group (MRG) as being conservative. As a result of their re-evaluation of the available data, SRK concluded that the deposit was of low geological risk with very homogenous Ni-AC distribution. This was reflected in the variogram. Furthermore, detailed Quantitative Kriging Neighbourhood Analysis results and the drill

spacing within the geostatistical ranges observed were adequate to support the reporting of Indicated Mineral Resources for Sundsberget.

The increase in tonnage to the Sundsberget resource was the result modelling the resource using a nickel price of US\$11.00/lb, compared to the US\$9.00/lb price utilized in the previous resource statement. A nickel price of US\$11.00/lb is considered a likely long-term nickel price, and was used for the resource estimates of the two other deposits, Vinberget and Rönnbäcknäset. The resource estimates for all three deposits are now based on the same nickel price, but have slightly different marginal cut-off grades.

Physically most of the additional tonnage is located in the middle-, southern part and towards the depth (Figure 1). The calculated pit is now reaching 80 m.a.s.l. compared with the old pit of 160 m.a.s.l.



**Figure 1.** Showing both SKR (grey) & MRG (green) pit shell displaying the increase of the pit towards the depth and to the south. Looking towards east.

### **Relationship between Mineral Resources and Mineral Reserves**

Mineral resources and reserves are the essence of the value of a mineral property. An understanding of the geological nature of the deposit's mineralization enables appraisal of mineral properties. The decision whether a deposit's mineralization is classified as a resource or a reserve is based on the quantity, quality and scope of available information. When the information is mainly geological, the term mineral resource can be applied. According to CIM, a Mineral Resource is in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.

Mineral Resources can be classified into one of the three sub categories in order of increasing geological confidence: inferred, indicated and measured. Below are the CIM definitions for the three sub-categories.

#### Inferred Mineral Resource

An 'Inferred Mineral Resource' is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is

based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

#### Indicated Mineral Resource

An 'Indicated Mineral Resource' is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

#### Measured Mineral Resource

A 'Measured Mineral Resource' is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

According to the CIM definition, a Mineral Reserve is the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.

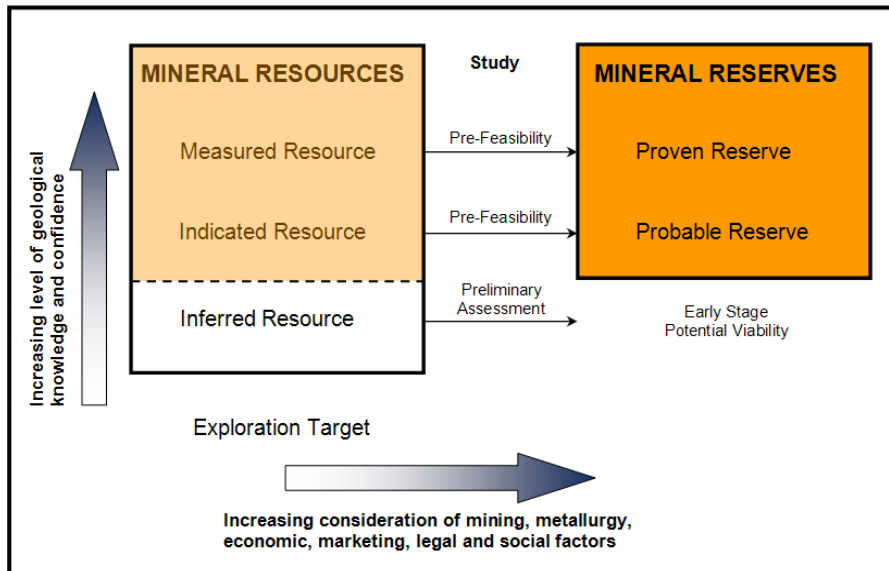
Mineral Reserves are sub-divided in order of increasing confidence into Probable Mineral Reserves and Proven Mineral Reserves. A Probable Mineral Reserve has a lower level of confidence than a Proven Mineral Reserve.

#### Probable Mineral Reserve

A 'Probable Mineral Reserve' is the economically mineable part of an Indicated and, in some circumstances, a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study.

#### Proven Mineral Reserve

A 'Proven Mineral Reserve' is the economically mineable part of a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study.



**Figure 2.** Relationship between mineral resources and reserves

Figure 2 sets out the framework for classifying tonnage and grade estimates so as to reflect different levels of geological confidence and different degrees of technical and economic evaluation. Mineral Resources can be estimated by a Qualified Person, with input from persons in other disciplines, as necessary, on the basis of geoscientific information and reasonable assumptions of technical and economic factors likely to influence the prospect of economic extraction. Mineral Reserves, which are a modified sub-set of the Indicated and Measured Mineral Resources, require consideration of factors affecting profitable extraction, including mining, processing, metallurgical, economic, marketing, legal, environmental, socio-economic and governmental factors, and should be estimated with input from a range of disciplines. Additional test work, e.g. metallurgy, mining, environmental is required to reclassify a resource as a reserve.

The CIM Definition Standards requires the completion of a Preliminary Feasibility Study as the minimum prerequisite for the conversion of Mineral Resources to Mineral Reserves. A Preliminary Feasibility Study is a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established and an effective method of mineral processing has been determined, and includes a financial analysis based on reasonable assumptions of technical, engineering, legal, operating, economic, social, and environmental factors and the evaluation of other relevant factors which are sufficient for a Qualified Person, acting reasonably, to determine if all or part of the Mineral Resource may be classified as a Mineral Reserve.

National Instrument 43-101 (NI 43-101), the Canadian mineral resource classification scheme used for the public disclosure of information relating to mineral properties, has adopted the CIM Definition Standards on Mineral Resources and Mineral Reserves. NI 43-101 is a strict guideline for how public companies can disclose scientific and technical information about mineral projects on bourses supervised by the Canadian Securities Administrators.