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January 11, 2012

Headnote

Multilateral Instrument 11-102 Passport System and National Policy 11-203
Process for Exemptive Relief Applications in Multiple Jurisdictions - Securities Act, s. 48 - exemption from registration requirement - A lender under an equity line of credit wants relief from the requirement to register as an underwriter - The lender will not solicit any offers to purchase the securities it acquires from the issuer and will resell any securities through an exchange, using a registered dealer unaffiliated with the issuer or the lender

Securities Act, s. 84 - exemption from prospectus delivery requirement - A lender under an equity line of credit wants relief from the requirement to deliver a prospectus - The issuer will file a supplement to its base shelf prospectus describing the terms of the equity purchase agreement; the issuer will issue a news release upon entering into the equity purchase agreement and file the agreement on SEDAR; the news release will indicate that the shelf prospectus and supplement have been filed and will specify where and how purchasers may obtain a copy

National Instrument 44-101, s. 8.1 - exemption from short form prospectus form requirements - Disclosure - An issuer wants relief from the requirement to include in the prospectus a statement of purchasers' statutory rights in the prescribed form - The issuer is distributing securities to purchasers on the TSX or TSX-V through a lender under an equity line of credit; the purchasers will have all statutory rights except those rights triggered by delivery of the prospectus; the issuer will provide an amended statement of rights in the prospectus so that the prospectus properly describes applicable rights and purchasers are not misled

National Instrument 44-102, s. 11.1 - exemption from shelf prospectus form requirements - An issuer wants relief from the requirement to include certain disclosure in the base shelf prospectus - The issuer is distributing securities to purchasers on the TSX or TSX-V through a lender under an equity line of credit; the purchasers will have all statutory rights except those rights triggered by delivery of the prospectus; the issuer will include in its base shelf prospectus all disclosure required under s. 5.5 but will eliminate or modify statements that specifically refer to delivery of the prospectus

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 34, 48, 83, and 84

NI 44-101, s. 8.1

Form 44-101F1

NI 44-102, ss. 5.5 and 11.1

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In the Matter of
the Securities Legislation of
British Columbia and Ontario
(the Jurisdictions)

and

In the Matter of
the Process for Exemptive Relief Applications in Multiple Jurisdictions

and

In the Matter of
CaNickel Mining Limited (the Issuer),
Haverstock Master Fund, Ltd. (the Purchaser)
and Haverstock Offshore Manager, LLC
(the Manager, and together with the Issuer and the Purchaser, the Filers)

Decision

Background

¶ 1 The securities regulatory authority or regulator in each of the Jurisdictions (the Decision Makers) has received an application from the Filers for a decision under the securities legislation of the Jurisdictions (the Legislation) that:

- (a) the following prospectus disclosure requirements under the Legislation (the Prospectus Disclosure Requirements) do not fully apply to the Issuer in connection with the Distribution (as defined below):
 - (i) the statement in the Pricing Supplement (as defined below) respecting statutory rights of withdrawal and rescission or damages in the form prescribed by item 20 of Form 44-101F1 of National Instrument 44-101 *Short Form Prospectus Distributions* (NI 44-101); and
 - (ii) the statements in the Base Shelf Prospectus (as defined below) required by subsections 5.5(2) and (3) of National Instrument 44-102 *Shelf Distributions* (NI 44-102);
- (b) the prohibition from acting as a dealer unless the person is registered as such (the Dealer Registration Requirement) does not apply to the Purchaser and the Manager in connection with the Distribution; and

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- (c) the requirement that a dealer send a copy of the Prospectus (as defined below) to a subscriber or purchaser in the context of a distribution (the Prospectus Delivery Requirement) does not apply to the Purchaser, the Manager or the dealer(s) through whom the Purchaser sells the Shares (as defined below) and, as a result, rights of withdrawal or rights of rescission, price revision or damages for non-delivery of the Prospectus do not apply in connection with the Distribution;

(collectively, the Exemptive Relief Sought).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a dual application):

- (a) the British Columbia Securities Commission is the principal regulator for this application;
- (b) the Filers have provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (MI 11-102) is intended to be relied upon in Alberta and Québec; and
- (c) this decision is the decision of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

Interpretation

- ¶ 2 Terms defined in National Instrument 14-101 *Definitions* or MI 11-102 have the same meaning if used in this decision, unless otherwise defined herein.

Representations

- ¶ 3 This decision is based on the following facts represented by the Filers:

The Issuer

1. the Issuer was continued under the laws of British Columbia;
2. the head office and principal place of business of the Issuer is located at PO Box 35, 999 West Hastings, Suite 1655, Vancouver, BC V6C 2W2;
3. the Issuer is a reporting issuer in the provinces of British Columbia, Alberta, Ontario and Québec and is not in default of any requirements under the Legislation;
4. CaNickel's authorized share capital consists of an unlimited number of common shares (the Shares), without par value, and an unlimited number of

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class A preferred shares and class B preferred shares, of which 1,500,826,712 Shares were outstanding as at October 13, 2011;

5. the Shares are listed for trading on the Toronto Stock Exchange (the TSX). Based on the closing price of \$0.05 of the Shares on the TSX on October 13, 2011, the current market capitalization of CaNickel is approximately \$75,041,336;
6. the Shares of the Issuer trade on the TSX under the symbol “CML”;
7. the Issuer is qualified to file a short form prospectus under section 2.2 of NI 44-101 and is also qualified to file a base shelf prospectus under NI 44-102;
8. the Issuer intends to file with the securities regulator in each of the provinces of British Columbia, Alberta, Ontario and Québec a base shelf prospectus pertaining to various securities of the Issuer, including the Shares (such base shelf prospectus and any amendment thereto, the Base Shelf Prospectus);
9. the statements required by subsections 5.5(2) and (3) of NI 44-102 contained in the Base Shelf Prospectus will be qualified by adding the following statement: “, except in cases where an exemption from such delivery requirements has been obtained.”;

The Purchaser and the Manager

10. the Purchaser is a Cayman Islands exempt limited company and its head office is located at 1044 Northern Boulevard, Roslyn, New York;
11. the Purchaser is managed by the Manager, a limited liability corporation incorporated under the laws of Delaware, having its head office at 1044 Northern Boulevard, Roslyn, New York; the Manager is an affiliate of the Purchaser under applicable securities laws;
12. neither the Purchaser nor any affiliate of the Purchaser is a reporting issuer in any jurisdiction in Canada or a registrant under US securities legislation; neither the Purchaser nor any affiliate of the Purchaser is registered with any U.S. or Canadian regulator or other securities regulatory authority as a dealer, advisor or in any other capacity under the legislation in any jurisdiction and is not a member of or participant in any other marketplace (as defined National Instrument 21-101 Marketplace Operation) or of any other self-regulatory organization; in particular, the Purchaser is not (a) a dealer-member of the Investment Industry Regulatory Organization of Canada, (b) a participating organization of the TSX, a member of the TSX Venture Exchange, or a member or dealer of the Canadian National Stock Exchange, Pure Trading,

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Alpha ATS, Chi-X Canada ATS or the Canadian Investor Protection Fund, (c) a broker-dealer registered with the United States Securities Exchange Commission under the 1934 Act, or (d) a member of the National Association of Securities Dealers, Inc.;

13. the Purchaser and the Manager are not in default of securities legislation in British Columbia, Ontario, Alberta, and Québec;
14. the only persons who make management decisions for the Purchaser and the Manager are David Ratzker and Robert Cohen;

The Distribution Agreement

15. the Issuer and the Purchaser have entered into the committed equity facility agreement (the Distribution Agreement) pursuant to which the Purchaser will agree to subscribe for, and the Issuer will have the right but not the obligation to issue and sell, up to \$20 million of Shares (the Aggregate Commitment Amount) over a period of 36 months in a series of drawdowns;
16. the Distribution Agreement will provide the Issuer with the ability to raise capital as needed from time to time; the Purchaser regularly engages in such transactions; the Purchaser may, in certain circumstances, finance its commitment to subscribe for Shares on a drawdown through short-sales or resales out of existing holdings of the Issuer's securities;
17. under the Distribution Agreement, the Issuer will have the sole ability to determine the timing and the amount of each drawdown in a drawdown notice, subject to certain conditions, including a maximum investment amount per drawdown of the greater of (i) \$500,000 or (ii) the average daily trading dollar volume for the five days preceding the drawdown notice, subject to the amount remaining on the Aggregate Commitment Amount, and the Aggregate Commitment Amount;
18. the Issuer will fix in such drawdown notice a minimum subscription price below which it will not issue any Shares (the Floor Price); the Floor Price may not be lower than the volume-weighted average price per Share on the TSX over a period of five consecutive trading days immediately preceding the applicable drawdown notice, less the permitted discount under the private placement rules contained in the TSX Company Manual;
19. the Shares will be issued at a subscription price equal to (i) the higher of 93% of the Market Price (defined herein), if the Market Price is \$0.15 and above, (ii) 90% of Market Price if the Market Price is below \$0.15, or (iii) 95% of the Market Price if the Market Price is above \$0.75; the "Market Price" will be the

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higher of (a) the volume weighted average price of the Shares for each trading day during five consecutive trading days from the date of the drawdown notice (the Drawdown Pricing Period) and (b) the Floor Price; notwithstanding the foregoing, the subscription price per Share may not be lower than the volume-weighted average price per Share on the TSX over a period of five consecutive trading days immediately preceding the applicable drawdown notice, less the maximum permitted discount under the private placement rules contained in the TSX Company Manual;

20. the Gross Proceeds (defined herein) to be received by the Issuer in connection with the issuance of the Shares with respect to each drawdown will be settled against delivery of the Shares on the 7th trading day following the date of each drawdown notice (each, a Settlement Date); “Gross Proceeds” means, with respect to each drawdown, the drawdown amount less any permitted reduction under the Distribution Agreement to ensure the drawdown does not exceed 5% of the market capitalization of the Issuer;
21. the Distribution Agreement will provide that, at the time of each drawdown notice and at each Settlement Date, the Issuer will make a representation to the Purchaser that the Base Shelf Prospectus, as supplemented (the Prospectus), contains full, true and plain disclosure of all material facts relating to the Issuer and the Shares being distributed; the Issuer would therefore be unable to issue, or decide to issue, Shares when it is in possession of undisclosed information that would constitute a material fact or a material change;
22. on or after each Settlement Date, the Purchaser may seek to sell all or a portion of the Shares subscribed under the drawdown;
23. during the term of the Distribution Agreement, the Purchaser and its affiliates, associates or insiders, as a group, will not own at any time, directly or indirectly, Shares representing more than 9.9% of the issued and outstanding Shares;
24. the Purchaser and its affiliates, associates and insiders will not hold a “net short position” in Shares during the term of the Distribution Agreement; however, the Purchaser may, after the receipt of a drawdown notice, seek to short-sell Shares to be subscribed for under the drawdown, or engage in hedging strategies, in order to reduce the economic risk associated with its commitment to subscribe for Shares, provided that:
 - (a) the Purchaser complies with applicable rules of the TSX, applicable securities laws and this decision document;

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- (b) the Purchaser and its affiliates, associates, and insiders will not during the period between a drawdown notice and the corresponding Settlement Date, directly or indirectly, sell Shares or grant any right to purchase or acquire any right to dispose of, nor otherwise dispose for value of, any Shares or any securities convertible into or exchangeable for Shares, in an amount which exceeds that number of Shares the Purchaser will be required to purchase under the applicable drawdown; and
 - (c) notwithstanding the foregoing, the purchaser and its affiliates, associates and insiders, will not directly or indirectly, sell Shares or grant any right to purchase or acquire any right to dispose of, nor otherwise dispose for value of, any Shares or any securities convertible into or exchangeable for Shares, between the time of delivery of a drawdown notice and the filing of the news release announcing the drawdown;
25. disclosure of the activities of the Purchaser and its affiliates, associates or insiders, as well as the restrictions thereon, the whole as described in paragraph 24 above, will be included in the Base Shelf Prospectus and Prospectus Supplement (as defined below); in addition, the Issuer will disclose in the Base Shelf Prospectus, as a risk factor, that the Purchaser may engage in short sales, resales or other hedging strategies to reduce investment risks associated with a drawdown, and the possibility that such transactions may result in significant dilution to existing shareholders and could have a significant effect on the price of the Shares;
26. no extraordinary commission or consideration will be paid by the Purchaser or the Manager to a person or company in respect of the disposition of Shares by the Purchaser to purchasers who purchase the same on the TSX through dealer(s) engaged by the Purchaser (the TSX Purchasers);
27. the Purchaser and the Manager will also agree, in effecting any disposition of Shares, not to engage in any sales, marketing or solicitation activities of the type undertaken by dealers in the context of a public offering; more specifically, each of the Purchaser and the Manager will not (a) advertise or otherwise hold itself out as a dealer, (b) purchase or sell securities as principal from or to customers, (c) carry a dealer inventory in securities, (d) quote a market in securities, (e) extend, or arrange for the extension of credit, in connection with transactions of securities of the Issuer, (f) run a book of repurchase and reverse repurchase agreements, (g) use a carrying broker for securities transactions, (h) lend securities for customers, (i) guarantee contract performance or indemnify the Issuer for any loss or liability from the failure of the transaction to be successfully consummated, (j) participate in a selling group; (k) effect any disposition of Shares which would not be compliance

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with applicable securities laws; (l) provide investment advice; or (m) issue or originate securities;

28. the Purchaser and the Manager will not solicit offers to purchase Shares in any jurisdiction of Canada and will sell the Shares to TSX Purchasers through one or more dealer(s) unaffiliated with the Purchaser, the Manager and the Issuer;
29. in consideration for entering into the Distribution Agreement, the Issuer has agreed to pay the Purchaser an implementation fee of \$200,000 cash and issue two promissory notes to the Purchaser in the amount of \$100,000 each;

The Prospectus Supplements

30. the Issuer intends to file with the securities regulator in each of the provinces of British Columbia, Alberta, Ontario and Québec, a prospectus supplement to the Base Shelf Prospectus (a Prospectus Supplement) as soon as commercially reasonable following the date on which the Base Shelf Prospectus is receipted by the applicable securities regulators and intends to file in each of the provinces of British Columbia, Alberta, Ontario and Québec, a pricing supplement (each, a Pricing Supplement) within two trading days after the end of the Drawdown Pricing Period for each drawdown under the Distribution Agreement;
31. the Pricing Supplement will disclose (i) the number of Shares issued to the Purchaser, (ii) the price per Share paid by the Purchaser, (iii) the information required by NI 44-102, including the disclosure required by subsection 9.1(3) thereof, and (iv) the following statement (the Amended Statement of Rights):

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revision of the price or damages if the prospectus and any amendment are not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. However, such rights and remedies will not be available to purchasers of common shares distributed under this prospectus because the prospectus will not be delivered to purchasers, as permitted under a decision document issued by the British Columbia Securities Commission on ♦, 2011.

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The securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contain a misrepresentation, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. Such remedies remain unaffected by the non-delivery of the prospectus permitted under the decision document referred to above.

The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

32. the Base Shelf Prospectus, as supplemented by the Prospectus Supplement and each Pricing Supplement, will qualify, inter alia, (a) the distribution of Shares to the Purchaser on the Settlement Date, and (b) the disposition of Shares to TSX Purchasers during the period that commences on the date of issuance of a drawdown notice and ends on the earlier of (i) the date on which the disposition of such Shares has been completed or (ii) the 40th day following the relevant Settlement Date (collectively, the Distribution);
33. the Prospectus Delivery Requirement is not workable in the context of the Distribution because the TSX Purchasers will not be readily identifiable as the dealer(s) acting on behalf of the Purchaser may combine the sell orders made under the Prospectus with other sell orders and the dealer(s) acting on behalf of the TSX Purchasers may combine a number of purchase orders;
34. the Pricing Supplement will contain an underwriter's certificate in the form set out in section 2.2 of Appendix B to NI 44-102 signed by the Purchaser;
35. at least three business days prior to the filing of any Pricing Supplement, the Issuer will provide for comment to the Decision Makers a draft of such Pricing Supplement;

News Releases / Continuous Disclosure

36. upon execution of the Distribution Agreement, the Issuer will:

- (a) promptly issue and file on SEDAR a news release disclosing the material terms of the Distribution Agreement, including the Aggregate Commitment Amount; and
- (b) within ten days after said issuance:

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- (i) file a copy of the Distribution Agreement on SEDAR; and
 - (ii) file a material change report on SEDAR disclosing the material terms of the Distribution Agreement including the Aggregate Commitment Amount.
- 37. promptly upon the issuance of each drawdown notice, regardless of the size of the drawdown, the issuer will issue and file on SEDAR a news release disclosing the aggregate amount of the drawdown, the maximum number of Shares to be issued, the minimum price per Share, if any, the Floor Price and the availability on SEDAR of the Base Shelf Prospectus, Prospectus Supplement and Pricing Supplement and specifying how a copy of those documents can be obtained;
- 38. promptly upon any amendment to the minimum price set forth in a drawdown notice, the Issuer will issue and file on SEDAR a news release disclosing the amended minimum price per Share and the maximum number of Shares to be issued;
- 39. the Issuer will:
 - (a) on or as soon as practicably possible after, the last day of each Drawdown Pricing Period, issue and file on SEDAR a news release disclosing:
 - (i) the number of Shares issued to, and the price per Share paid by, the Purchaser;
 - (ii) that the Base Shelf Prospectus, the Prospectus Supplement and the relevant Pricing Supplement will be available on SEDAR and specifying how a copy of these documents can be obtained; and
 - (iii) the Amended Statement of Rights; and
 - (b) file a material change report on SEDAR within ten days of each Settlement Date, if the relevant Distribution constitutes a material change under applicable securities legislation, disclosing at a minimum the information required in subparagraph (i) above.
- 40. the Issuer will also disclose in its financial statements and management's discussion and analysis filed on SEDAR under National Instrument 51-102 *Continuous Disclosure Obligations*, for each financial period, the number and price of Shares issued to the Purchaser pursuant to the Distribution Agreement;

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Deliveries upon Request

41. the Issuer will deliver to the Decision Makers and to the TSX, upon request, a copy of each drawdown notice delivered by the Issuer to the Purchaser under the Distribution Agreement; and
42. the Purchaser and the Manager will provide to the Decision Makers, upon request, full particulars of trading and hedging activities by the Purchaser or the Manager (and, if required, trading and hedging activities by their respective affiliates, associates or insiders) in relation to securities of the Issuer during the term of the Distribution Agreement.

Decision

- ¶ 4 Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Makers to make the decision.

The decision of the Decision Makers under the Legislation is that the Exemptive Relief Sought is granted, provided that:

- (a) as it relates to the Prospectus Disclosure Requirements:
 - (i) the Issuer comply with the representations in paragraphs 9, 25, 31, 32, 35, 36, 37, 38, 39 and 41; and
 - (ii) the number of Shares distributed by the Issuer under the Distribution Agreement does not exceed, in any 12 month period, 20% of the aggregate number of Shares outstanding calculated at the beginning of such period;
- (b) as it relates to the Prospectus Delivery Requirement and the Dealer Registration Requirement, the Purchaser and/or the Manager, as the case may be, comply with the representations in paragraphs 14, 23, 24, 26, 27, 28, 34, and 42; and
- (c) this decision will terminate 25 months after the date of the Base Shelf Prospectus.

Martin Eady, CA
Director, Corporate Finance
British Columbia Securities Commission