ROYAL NICKEL CORPORATION
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Toronto, Ontario M5J 2W4
CANADA

ANNUAL INFORMATION FORM
For the year ended December 31, 2010

Dated as of March 24, 2011

TABLE OF CONTENTS

Page

GENERAL MATTERS

Unless otherwise noted or the context otherwise indicates, the terms "**Royal Nickel**", "**Company**" and "our" refer to Royal Nickel Corporation.

For reporting purposes, the Company prepares its financial statements in Canadian dollars and in conformity with accounting principles generally accepted in Canada, or Canadian GAAP. All dollar amounts in this Annual Information Form ("**AIF**") are expressed in Canadian dollars, except as otherwise indicated. References to "$", "Cdn$", or "dollars" are to Canadian dollars, references to US$ or "U.S. dollars" are to United States dollars.

Market data and other statistical information used in this AIF is based on independent industry publications, government publications, reports by market research firms, or other published independent sources, including Brook Hunt - a Wood Mackenzie company ("**Brook Hunt**"), the Fraser Institute, Bloomberg, metalprices.com and the London Metals Exchange ("**LME**"). Some data is also based on Royal Nickel's good faith estimates that are derived from its review of internal data and information, as well as independent sources, including those listed above. Although Royal Nickel believes these sources are reliable, the Company has not independently verified the information and cannot guarantee its accuracy or completeness.

The information contained is this AIF is as of March 24, 2011, unless otherwise indicated.

FORWARD LOOKING STATEMENTS

This AIF contains "forward looking information" and "forward looking statements" (collectively referred to as "**forward looking statements**") which may include, but is not limited to, statements with respect to targeted milestones to achieve development of the Dumont Nickel Project, our belief as to the potential size and ranking of the Dumont Nickel Project, financing sources available to develop the Dumont Nickel Project, the future financial or operating performance of the Company and its projects, the future price of metals, the supply and demand for nickel, the estimation of mineral resources, the realization of mineral resources estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new and existing deposits, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses and/or title disputes or claims. Often, but not always, forward looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate" or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Accordingly, readers should not place undue reliance on forward looking statements.

Forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward looking statements. Such factors include, among others: the actual results of current exploration and development activities; project delays; funding needs; general business, economic, competitive, political and social uncertainties; future prices of metals; availability of alternative nickel sources or substitutions; actual results of reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; the future cost of capital to the Company; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; political instability, terrorism, insurrection or war; delays in obtaining governmental approvals, necessary permitting or in the completion of development or construction activities, as well as those factors discussed in the section entitled "Risk Factors" in this AIF. Such forward looking statements are also based on a number of material factors and assumptions, including: future nickel prices; permitting and development consistent with Royal Nickel's expectations; foreign exchange rates; prices and availability of equipment; that contracted parties provide goods and/or services on the agreed timeframes; that on-going contractual negotiations will be successful and progress and/or be completed in a timely manner; and that no unusual geological or technical problems occur.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward looking statements contained in this AIF are made as of the date of this AIF or the date specified in such statement and the Company disclaims any obligation to update any forward looking statements, whether as a result of new information, future events or results or otherwise, except as required by applicable securities laws. There can be no assurance that forward looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

CORPORATE STRUCTURE

Royal Nickel was incorporated under the *Canada Business Corporations Act* on December 13, 2006. Royal Nickel's registered office, head office and records office is at Suite 1200 – 220 Bay Street, Toronto, Ontario, M5J 2W4 and its regional office is located at 42 Rue Trudel, Amos, Quebec, J9T 4N1. The Company is based in Toronto, Ontario and its principal business activity is the exploration, development, evaluation and acquisition of mineral properties. All of Royal Nickel's operating activities are carried on directly by the Company as the Company has no subsidiaries.

Royal Nickel is a reporting issuer in all of the Provinces of Canada. The common shares of the Company (the "**Common Shares**") are listed on the Toronto Stock Exchange (the "**TSX**") and trade under the symbol "RNX" and the Warrants (defined below) of the Company are listed on the TSX and trade under the symbol "RNX.WT".

GENERAL DEVELOPMENT OF THE BUSINESS

The Dumont Nickel Project

The Company's principal asset and sole material property is the 100% owned Dumont nickel project (the "**Dumont Nickel Project**"), strategically located in the established Abitibi mining camp, 25 km northwest of Amos, Quebec, Canada.

Since acquiring the mineral claims comprising the Dumont Nickel Project in 2007, Royal Nickel has undertaken an aggressive exploration and metallurgical program to evaluate and develop the mineral resources. The exploration work completed to date includes over 99,000 metres of diamond drilling at regularly spaced sections in order to delineate the mineral resource. In addition, extensive metallurgical testing has been completed.

During 2010, Royal Nickel:

- completed extensive infill drilling of 5,400 metres for the purpose of upgrading the nickel mineral resource from the inferred category to the measured and indicated categories;
- collected over 700 samples for mineralogical mapping to develop the mineralogical deposit model;
- completed overburden geotechnical drilling to characterize overburden for pit-wall slope angle determination;
- recovered over 2,700 metres of large diameter core at four sites to provide a representative sample for the metallurgical testwork at the mini-pilot plant;
- completed metallurgical bench scale testing of 70 core samples using standard test procedures;
- commissioned a mini-pilot plant to demonstrate that the laboratory rougher results could be obtained on a continuous scale and to optimize the process flowsheet - especially the cleaning stages;
- directed the processing of seven composites at the mini-pilot plant representing the three mineralization types of, and various locations within, the Dumont Nickel Project;
- obtained characterization of four samples representing the four hardness domains;
- conducted further scoping level comminution testing;
- continued phase three of ongoing environmental baseline study initiated in 2007;
- staked 51 additional buffer claims totalling approximately 1,700 ha at the margins of the Dumont Nickel Project in order to secure mineral tenure over zones of potential infrastructure development; and
- purchased approximately 260 ha of strategic surface property right over the deposit.

The Dumont Nickel Project is comprised primarily of mineral claims acquired in 2007 from Griffis International Ltd. (the "**Griffis Claims**"), mineral claims (the "**Marbaw Claims**") acquired in 2007 from Marbaw International Nickel Corporation ("**Marbaw**") and mineral claims acquired on the exercise of an option agreement (which exercise was completed in 2008) assigned to Royal Nickel by Patrick Sheridan and Peter Ferderber (the "**Sheridan Ferderber Claims**"). Under the agreement under which Royal Nickel acquired the Marbaw Claims, Royal Nickel is required to issue 7,000,000 Common Shares to Marbaw upon the property being placed into commercial production or upon transfer (including through a merger, consolidation or asset purchase) of the property to a third party. The

Marbaw Claims are also subject to a 3% NSR payable to Marbaw. Royal Nickel has the right to buy back one-half of the 3% NSR for $10,000,000 at any time. The Sheridan Ferderber Claims are subject to a 2% NSR royalty payable to Terrence Coyle (1%) and Michel Roby (1%). Royal Nickel has the right to buy back one half of the 2% NSR for $1,000,000 at any time. An advance royalty of $5,000 per year is also payable to Terrence Coyle and Michel Roby beginning in October 2011. The agreement with Griffis is not subject to any future consideration or royalty payments.

Initial Public Offering

On December 16, 2010, Royal Nickel completed its initial public offering (the "**IPO**") pursuant to a long form prospectus (the "**IPO Prospectus**") of: (i) 14,500,000 units at a price of $2.25 per unit (each a "**Unit**") , with each Unit consisting of one Common Share and one-half of one Common Share purchase warrant (a "**Warrant**"), and (ii) 5,000,000 flow-through units at a price of $2.50 per flow-through unit (each a "**Flow-Through Unit**"), with each Flow-Through Unit consisting of one Common Share issued on a flow-through basis and one-half of one Warrant, for gross proceeds of approximately $45.1 million. Each whole warrant entitles the holder to acquire one Common Share at a price of $3.00 until December 15, 2012. The units were sold pursuant to an underwriting agreement dated December 9, 2010 (the "**Underwriting Agreement**") between Royal Nickel and RBC Dominion Securities Inc., UBS Securities Canada Inc., Scotia Capital Inc., Desjardins Securities Inc., Haywood Securities Inc. and Raymond James Ltd. (collectively, the "**Underwriters**"). On January 13, 2011, Royal Nickel issued 2,925,000 Units at a price of $2.25 per Unit on the exercise in full by the Underwriters of their over-allotment option for aggregate gross proceeds from the IPO and the over-allotment option of approximately $51.7 million.

Subscription Agreement with Ningbo Sunhu Chem. Products Co., Ltd.

In July 2009, the Company and Ningbo Sunhu Chem. Products Co., Ltd. ("**Sunhu**") entered into an understanding with respect to a proposed investment by Sunhu in the Common Shares. On October 15, 2010, the understanding was formalized in a subscription agreement (the "**Sunhu Agreement**") entered into between the Company and Sunhu. Pursuant to the terms of the Sunhu Agreement, Sunhu agreed to purchase 2,500,000 Common Shares at a price of $2.00 per Common Share by October 31, 2010 (the "**Sunhu Subscription**"). Pursuant to the terms of the Sunhu Agreement, Sunhu also had an option to purchase up to an additional 2,500,000 Common Shares at a price of $2.00 per Common Share until November 30, 2010, subject to the completion of the Sunhu Subscription (the "**First Sunhu Option**"). Additionally, Sunhu had a second option to purchase up to an additional 5,900,000 Common Shares, plus any Common Shares not yet purchased but subject to the First Sunhu Option, at a price of $2.00 per Common Share until December 30, 2010 (the "**Second Sunhu Option**"). However, as the Company completed its IPO, which qualifies as a non flow-through financing under the Sunhu Agreement, the Common Shares issuable under the Second Sunhu Option were issuable at a price per Common Share equal to $2.25.

In October 2010, the Company received $1,000,000, representing partial payment of the Sunhu Subscription, and issued 500,000 Common Shares. The Company extended the October 31, 2010 deadline for performance of the Sunhu Subscription. On November 17, 2010, the Company confirmed receipt from Sunhu of the outstanding payment of $4,000,000 and the Company issued 2,000,000 Common Shares to Sunhu in full satisfaction of the Sunhu Subscription. Sunhu did not exercise the First Sunhu Option prior to November 30, 2010, nor did it exercise the Second Sunhu Option prior to December 30, 2010.

Sunhu is entitled to nominate one person to serve as its representative on the Company's board of directors (the "**Board**") in the event that Sunhu achieves and maintains ownership of a minimum of 8% of the Common Shares issued and outstanding. As of the date hereof, the Common Shares held by Sunhu represents approximately 2.8% of the issued and outstanding Common Shares.

Marbridge Mine Property (the "Marbridge Property")

On April 22, 2009, the Company entered into an agreement to acquire a 100% ownership interest in the Marbridge Property from Xstrata plc for a total cash consideration of $1,000,000. On July 31, 2009, the Company completed the acquisition pursuant to the terms of the agreement and acquired a 100% interest in the Marbridge Property.

The Marbridge Property is located 60 km by road southeast of the Dumont Nickel Project and 40 km northwest of Val d'Or, Quebec. The deposits are komatiite hosted and lie within the broad La Motte ultramafic belt within the eastern Abitibi Greenstone Belt. The Marbridge Property comprises two mining concessions totalling 240 ha in La Motte Township.

The four deposits at the Marbridge Property were discovered by prospecting and surface drilling during the period 1957 to 1966. The deposits were previously operated under a joint venture between Falconbridge Nickel Mines and Marchant Mining which produced 702,366 tonnes of ore grading 2.28% Ni and 0.1% Cu over a five year period between 1962 and 1968.

Jefmar Property (the "Jefmar Property")

On March 26, 2008, the Company signed a formal property acquisition agreement with Jefmar Inc. ("**Jefmar**") relating to the acquisition of a 100% interest in 14 mining claims totalling 586 ha in the Lamotte and Figuery townships, in the province of Quebec.

Pursuant to the terms of the agreement, the Company gave the following consideration for the acquisition of the Jefmar Property:

- payment of $70,000 to Jefmar;
- issuance of 150,000 Common Shares to Jefmar; and
- a 2% NSR granted to Jefmar. The Company has the right and option to buy back 1% of the NSR for a price equal to $1,000,000 with a minimum of 60 days prior written notice to Jefmar.

On September 10, 2010, the Company entered into a letter agreement with Glen Eagle Resources Inc. ("**Glen Eagle**") on Jefmar property claim number 2116146 Lot 8, Range 6, La Motte Township ("**Claim 2116146**") whereby Glen Eagle can earn a 70% interest in this claim by completing exploration expenditures and making option payments to Royal Nickel over a three year period. The option and joint venture agreement is in the process of being finalized. Glen Eagle has completed approximately $116,000 in exploration expenditures in 2010 on Claim 2116146 under this agreement. Glen Eagle expects to spend a similar amount on the property in 2011.

DESCRIPTION OF THE BUSINESS

Royal Nickel is a mineral resource company primarily focused on the exploration, development, evaluation and acquisition of mineral properties. The Company's principal asset and sole material property is the Dumont Nickel Project, strategically located in the established Abitibi mining camp, 25 km northwest of Amos, Quebec, Canada. In addition to the Dumont Nickel Project, the Company also holds the Marbridge Property and the Jefmar Property.

Overview

The Dumont Nickel Project hosts approximately 7.0 billion lbs of nickel in the measured and indicated resource category at 0.27% nickel with an additional approximate 3.2 billion lbs of nickel classified in the inferred resource category at 0.25% nickel. Based on (i) expected production at the Dumont Nickel Project based on the 100,000 tpd Case as set forth in the Technical Report (defined below) and (ii) production figures from existing nickel sulphide operations compiled by Brook Hunt, Royal Nickel believes that the Dumont Nickel Project has the potential to rank as the fourth largest nickel sulphide operation in the world (by annual production). In addition to the resource definition, several programs intended to characterize the deposit and its environment have been undertaken to support development studies. These include geological interpretation studies, deposit and geotechnical modeling, drilling to assess geotechnical properties of the rock and sampling for metallurgical testing. In addition, detailed laboratory scale metallurgical testing on representative samples from the Dumont Nickel Project has been undertaken leading to a standard flowsheet design. A mini pilot plant has also been constructed and is currently in operation to test larger scale samples to confirm and optimize the laboratory scale testing.

The National Instrument 43-101 - *Disclosure Standards for Mineral Projects* ("**NI 43-101**") compliant technical report entitled "Preliminary Assessment of the Dumont Nickel Project, Launay and Trécesson Townships, Quebec Canada" dated as of September 30, 2010 (the "**Technical Report**") prepared by Micon International Limited ("**Micon**") was completed on the property. The Technical Report assumes two cases for development of the Dumont Nickel Project. The first case assumes use of a concentrator that would treat up to 80,000 tonnes per day of feed (the "**80,000 tpd Case**"), while the second case assumes use of concentrator with a capacity of up to 100,000 tpd (the "**100,000 tpd Case**").

According to the Technical Report, the 80,000 tpd Case is estimated to require an initial capital investment of US$2,023 million, generating an average annual production of 114.6 million lbs of nickel in concentrate at average cash costs of US$3.96/lb during a 31 year project life, that includes a 20 year mine life followed by a further 11 year period during which time lower grade stockpiles would be processed. The Technical Report estimates an after-tax NPV of US$488 million from commencement of construction and an after-tax IRR of 14.1%.

The 100,000 tpd Case is estimated to require an initial capital investment of US$2,304 million, generating an average annual production of 142.2 million lbs of nickel in concentrate at average cash costs of US$3.87/lb during a 25 year project life, that includes a 18 year mine life followed by a further 7 year period during which time lower grade stockpiles would be processed. The Technical Report estimates an after-tax NPV of US$694 million from commencement of construction and an after-tax IRR of 15.4%.

Both the 80,000 tpd Case and the 100,000 tpd Case assume a long term nickel price of US$7.50/lb, an exchange rate of US$0.90/$1.00 and a discount rate of 10%.

The Company intends to take the 100,000 tpd Case forward into a Pre-Feasibility Study.

Corporate Strategy

Royal Nickel's primary objective is captured through the vision statement: to be a prosperous mining company that grows through the acquisition and responsible development of a high-quality portfolio of base and platinum group metal assets. Royal Nickel's mission statement further defines how it plans to achieve the vision statement: we are the preferred choice for our communities, employees, shareholders and business partners by consistently creating sustainable value through the safe and responsible exploration, development and operation of our mining assets. Combined with the vision and mission statement Royal Nickel has developed a set of values that it has implemented across the Company. These value statements act as guidelines for how Royal Nickel conducts itself and its decision-making on a daily basis. The values are:

- We work safely.
- We treat people with dignity and respect.
- We respect the environment.
- We hold ourselves accountable to deliver on our commitments.
- We create lasting prosperity in the communities where we operate.
- We generate value from our assets.

Royal Nickel's current corporate strategy focus is to develop the large ultramafic Dumont Nickel Project and to acquire highly prospective assets, preferably cash-producing, in base and platinum group metals.

Royal Nickel has targeted the following key milestones to achieve the development of the Dumont Nickel Project:

- completion of the first run pilot plant (20 kg/hr) testing by second quarter 2011;

- completion of a Preliminary Feasibility Study late third quarter or early fourth quarter 2011;
- placement of long lead orders by mid 2012 or earlier;
- completion of Feasibility Study by late 2012;
- receipt of permits by mid 2013;
- start of construction by mid 2013; and
- project commissioning and ramp-up in 2015.

Royal Nickel expects to fund the development of the Dumont Nickel Project through various financing sources, including: (i) establishing strategic partnerships; (ii) joint venture agreements; (iii) project finance; (iv) acquiring cash flow producing assets; and (v) other capital markets alternatives. Royal Nickel believes it can successfully implement its corporate strategy because of its unique strengths and deep management experience and well-developed relationships in the nickel industry.

Dumont Nickel Project 2011 Program and Budgeted Expenditures

A program consisting of approximately 18,000 metres of resource definition drilling, 5,200 metres of rock geotechnical drilling, drilling of 64 overburden characterization holes and 30 overburden cone penetration tests, environmental geochemistry testing on 90 samples, hydrological and hydrogeological data collection on surface and in boreholes, and a mini-pilot plant campaign, in support of a Preliminary Feasibility Study targeted to be completed in 2011 are budgeted for 2011. Additional work in preparation for a Feasibility Study targeted to be completed in 2012 consisting of 28,000 metres of resource definition drilling, 5,000 metres of rock geotechnical drilling, 5000 metres of large diameter drilling for metallurgical testing, comminution testing, and metallurgical piloting are also budgeted for 2011. The total 2011 expenditure for the Dumont Nickel Project program is estimated to be approximately $29,000,000.

The Nickel Industry

Uses

Nickel's main first use is in the manufacture of stainless steel. There are several grades of stainless steel, each with slightly different properties and alloy content. The main alloying element in stainless steel is chromium that provides basic corrosion resistance. A stainless steel is defined as containing a minimum of 10% chromium. The various types may be subdivided into four main groups — ferritic, austenitic, martensitic and duplex.

Austenitic grades represent around 70-75% of total world stainless steel production. The most commonly used austenitic grade of stainless steel is grade 304, which contains 8-10.5% nickel and 18-20% chromium. It is frequently referred to as 18/8 grade. There are a variety of variations of grade 304 that have been developed for more specialised applications.

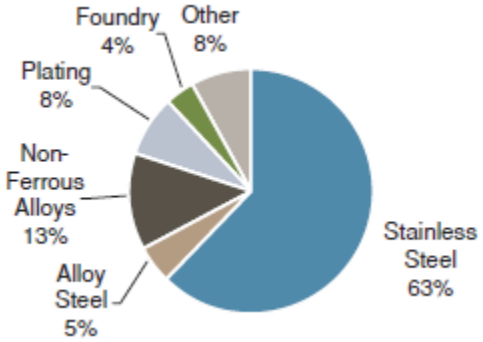
Ferritic stainless steels, which represent approximately 25-30% of the world's total stainless steel production, contain little or no nickel. They have fair to good corrosion resistance, particularly to chloride stress corrosion cracking. They are magnetic and are not hardenable by heat-treatment. The addition of chromium to steel can increase its brittleness so making it more difficult to weld and form. Hence there are technical barriers to how far the addition of chromium may be used to extend corrosion resistance, as well as economic factors to consider. The detrimental effect chromium has on steel's mechanical properties can be mitigated by changing the steel's phase from ferritic to austenitic. This is achieved by the addition of manganese or nickel. Since nickel also enhances the corrosion resistance provided by chromium, it has been the element of choice in most countries. Up until the end of the 1990s, only in India had there been any significant production of manganese bearing austenitic stainless steel, due largely to high import tariffs for nickel. During times of high world nickel prices, there is frequently much

discussion of a switch away from nickel to manganese in austenitic stainless steels. However, the manganese bearing grades are less corrosion resistant and such a widespread switch has, as yet, failed to materialize on a global scale. That said, the rapidly growing Chinese stainless melting sector is learning to develop markets for these grades. The most common of the manganese bearing stainless steels that are used are grades 201 and 202, which contains 5.5-7.5% manganese and up to 5.5% nickel, although in China the nickel contents in these grades of stainless can be as low as only 1% nickel.

Global Nickel Consumption by First Use

The following chart demonstrates the 2009 first use nickel consumption breakdown:

2009 = 1.312 Mt



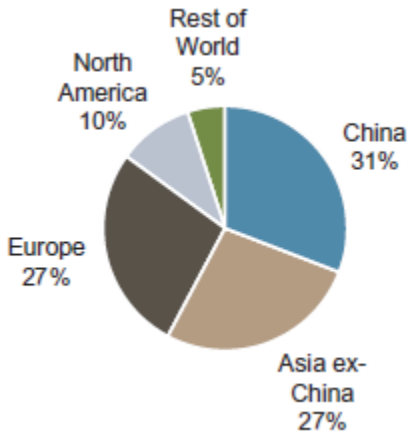
Source: Brook Hunt — a Wood Mackenzie company

Aside from stainless steel, nickel finds applications in extremely diverse areas, from alloys, to plating, to catalysts. Superalloys are defined as those alloys, usually based on a combination of iron, nickel, cobalt and chromium, but with less than 50% iron, that have been developed for use at high temperatures (650°C or higher) where severe mechanical stressing is encountered. Nickel imparts both corrosion resistance and high-temperature strength to these alloys. Nickel is also used as an alloying element in various nickel chromium, molybdenum and maraging steels. Nickel increases the strength of steels that receive no heat treatment. It also improves the hardenability of steels that are to be heat-treated. In case-hardened steels, nickel strengthens both the case and the core so improving wear resistance and minimising cracking. Carbon steel can be plated with both nickel and chromium to impart corrosion resistance. The use of nickel in addition to chromium provides significantly higher corrosion resistance than the use of chromium alone. Nickel and chromium plated steel is used principally in cars and household appliances. Other important uses for nickel include its use in various types of batteries.

Demand

Led by significant consumption growth from China, global nickel consumption increased 18% between 2000 and 2009 according to Brook Hunt. Chinese consumption increased by over 500% from 2000 to 2009 and as a result, China's share of global consumption increased from 6% in 2000 to 31% in 2009. In 2009, total global nickel consumption was 1.312 Mt according to Brook Hunt.

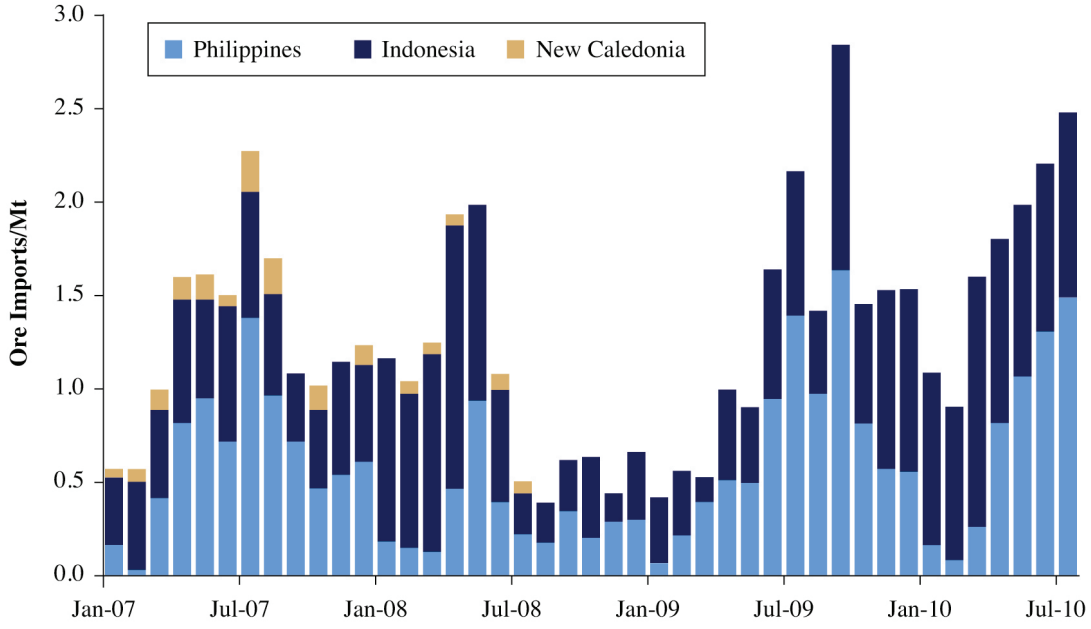
Nickel Consumption by Geography — 2009



Source: Brook Hunt — a Wood Mackenzie company

Brook Hunt reported nickel consumption growth of 13% in 2010. China is expected to lead consumption growth driven by increasing demand from its stainless steel industry. Chinese stainless steel production is expected to increase with planned capacity expansions and conversions of traditional steel mills to stainless steel facilities at various locations. Brook Hunt forecasts Chinese stainless steel melt output to increase by approximately 11% per year to 18 Mt in 2015. Since July 2008, Chinese imports of nickel direct shipping ores have materially increased supporting the growth in stainless steel demand.

Chinese Imports of Nickel Direct Shipping Ore



Source: Brook Hunt — a Wood Mackenzie company

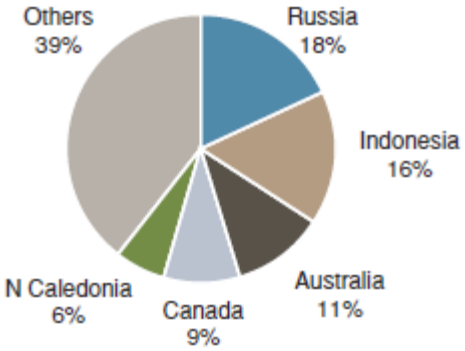
Nickel consumption in the United States and Europe is expected to increase more modestly than in China, with growth expected to come from the non-stainless steel uses such as non-ferrous alloys in the aerospace industry.

Supply

Nickel ore primarily occurs in two forms: sulphide and laterite. Historically, a majority of the world's nickel production has come from sulphide deposits due to the general preference for simple processing technology, whereas nickel mined from laterite ores has faced technical issues in processing which has led to cost pressures. The majority of the world's nickel resources are hosted in laterite ores which are increasingly providing a greater source of supply. In 2009, global nickel production was 1.437 Mt, with over half of the world's nickel production coming from laterite deposits compared to one-third of nickel production in 1985. The five largest nickel producing nations represent over 60% of the global mined nickel production according to Brook Hunt.

Mined Nickel Production by Ore Type — 2009

Mined Nickel Production by Country — 2009

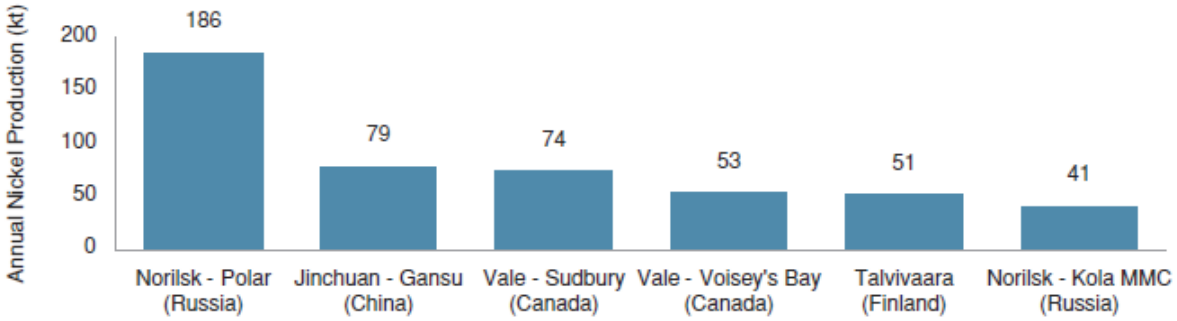


Source: Brook Hunt — a Wood Mackenzie company

Deposit Types

Sulphide deposits are generally higher grade and can be mined via both open pit and underground, whereas laterite deposits are generally lower grade and tend to be open pit mines. As such, sulphides tend to have higher extraction costs with lower processing costs whereas laterites tend to have lower extraction costs but higher processing costs. Despite the fact that laterite nickel deposits account for more of the world's nickel resources, sulphide nickel deposits have historically accounted for a greater portion of the world's production. The higher percentage of sulphide production is primarily due to the use of historically proven processing technology which has typically resulted in lower operating and capital costs coupled with technical difficulties and cost pressures faced by some laterite projects. As the number of sulphide discoveries has dropped over the years, the proportion of nickel mined from laterite deposit is expected to increase substantially. According to Brook Hunt, the majority of world's proposed future nickel production is anticipated to come from laterite projects like Goro (high pressure acid leaching in New Caldonia), Ramu (pressure acid leaching in Papua New Guinea), Onça-Puma (ferro nickel smelting in Brazil), Koniambo (ferro nickel smelting in Brazil), Ambatovy (pressure acid leaching in Madagascar) and Barro Alto (ferro nickel in Brazil). On the sulphide front, few world class deposits remain undeveloped. The world's largest nickel sulphide operations are displayed as follows:

Mined Nickel Sulphide Production — 2013E



Source: Brook Hunt — a Wood Mackenzie company

Mining and Processing

Extraction of nickel from the ore is normally done in three steps: ore processing (beneficiation), smelting and refining. The refined metal is then typically sold to metal fabricators. Sulphide ore is amenable to flotation followed by pyrometallurgical smelting and then hydrometallurgical techniques for refining. Laterite ore grades and specific qualities of the ore determine the technology used to process the laterites. Main technologies used to process laterite ores are ferro nickel smelting, autoclave leaching (including high pressure acid leach ("**HPAL**") and ammonia leaching) and nickel pig iron smelting.

The cost structure of ferro nickel smelter projects is heavily dependent on energy prices because considerable energy is required in ore drying, roasting and smelting processes (as laterites have high moisture content). Transportation is the other major cost element for ferro nickel smelter projects that are not co-located. Capital cost requirements in setting up ferro nickel smelter projects can be lower than in HPAL projects (depending on scale), but running costs can be higher (depending on where energy is sourced).

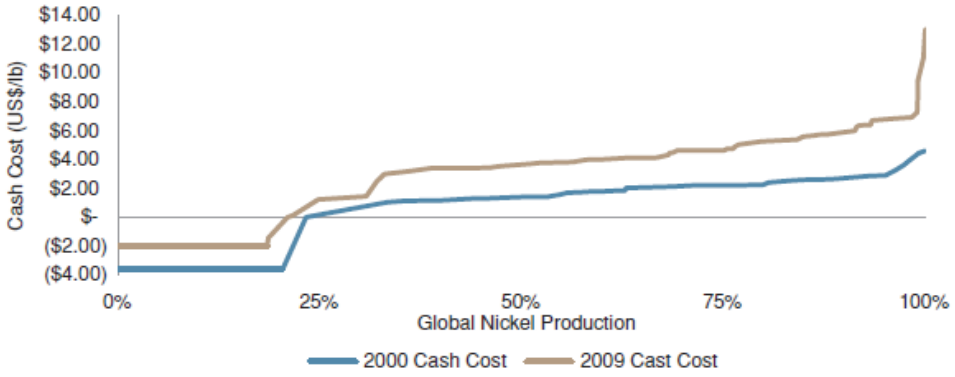
HPAL projects generally require higher capital cost than ferro nickel smelter projects, but, as discussed above, the operating costs of running HPAL projects can potentially be lower than ferro nickel smelter projects. HPAL operations are also highly sensitive to the cost of sulphur and/or sulphuric acid.

Nickel pig iron is a low purity ferro nickel containing between 3% and 15% nickel, which is less than conventional ferro nickel, which typically contains between 20% and 40% nickel. Nickel pig iron technology is relatively old but has gained prominence (especially in China) during the commodities boom of the last few years when iron ore and nickel prices were both elevated. Certain steel smelters in China blend nickel ore with conventional iron ore to produce stainless steel feed products. Nickel pig iron is essentially produced from lower grade laterite ores sourced mainly from Philippines and Indonesia. Generally, the cost of producing nickel from laterite ore is much higher than producing from sulphide ore. With nickel pig iron using low grade laterite ores, the cost of producing nickel is typically even higher.

Nickel Production Costs

The cost of producing nickel primarily depends on the process used to extract the metal, which depends on the mineralogy of the ore. Historically, sulphides processing is the most cost effective due to simpler mineralogy, higher ore grades and by-products. HPAL operating costs have come under pressure due to operational difficulties, whereas ferro nickel processing is energy intensive with fewer by-product credits. The following figure demonstrates how the cost structure of the nickel industry has increased significantly between 2000 and 2009:

Nickel Industry Cost Curve Comparison



Source: Brook Hunt — a Wood Mackenzie company

Pricing and Outlook

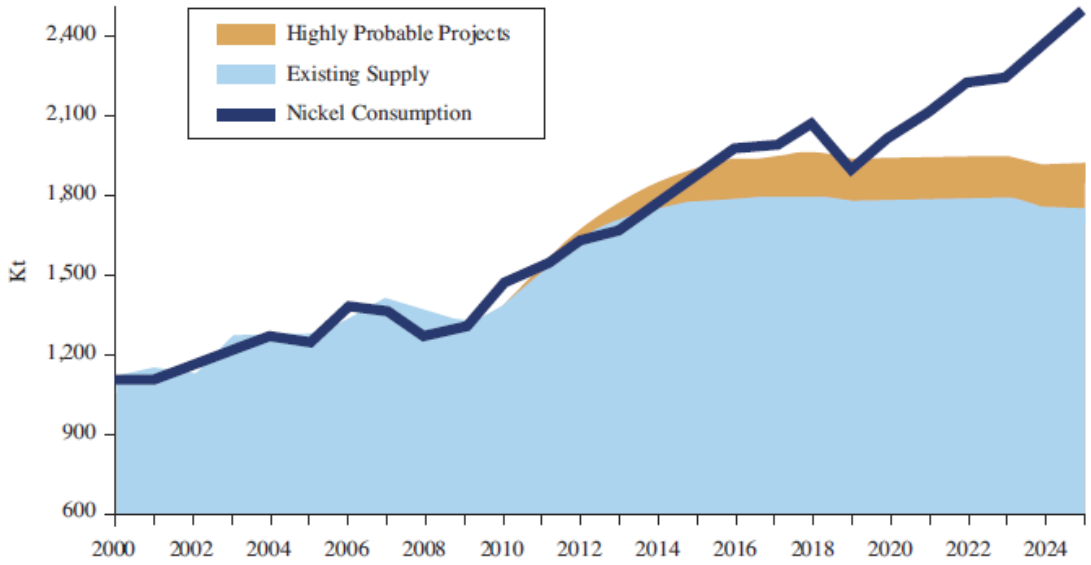
Nickel primarily trades on the LME and all references to nickel prices are based on trading on the LME. Nickel began 2010 at US$8.55 per pound, reached a low of US$7.72 on February 8, 2010, a high of US$12.52 per pound on April 16, 2010 and closed the year at US$11.32 per pound. Nickel prices averaged US$10.79 and US$9.89 per pound in the fourth quarter and full year of 2010, respectively, compared to US$7.96 and US$6.67 per pound for 2009, respectively. Nickel prices during early 2011 have remained strong, averaging US$12.22 per pound from January 1 to February 28, 2011, and closing at US$13.08 on February 28, 2011, hitting a high of US$13.17 on February 21, 2011. The trading price of nickel as of the date of this AIF is US$12.31 per pound.

Longer-term nickel supply and demand fundamentals remain strong and favourable in the context of the expected Dumont Nickel Project start-up. Brook Hunt reported nickel consumption growth of 13% in 2010. China is expected to lead consumption growth driven by increasing demand from its stainless steel industry. As existing supply is expected to plateau, new projects will be increasingly relied upon to narrow the expected future supply deficit. Nickel supply is expected to increasingly come from laterite deposits which have historically faced greater technical and operating challenges. Should new projects face such challenges, future supply could be further constrained.

The mining industry continued to recover in 2010 from the impact of the global financial crisis, underpinned by strong demand growth from China and other developing countries across a wide range of commodities including metals such as stainless steel and nickel. The global supply response to this demand from the mining industry continues to face a number of headwinds as many new projects are located in high risk political jurisdictions, face difficulty in obtaining required development and operating permits, and face start-up challenges from the use of new and/or relatively complex technology. The year 2010 was no exception as the Congo confiscated several mining projects, Taseko's Prosperity project in British Columbia, Canada was denied a key permit, and a number of copper and nickel projects continue to ramp up more slowly than expected.

This environment continues to highlight the value of the Dumont Nickel Project with its proposed use of conventional, proven technology in a simple open pit mine/mill operation and its location in the Abitibi region of Quebec, a province which continues to permit mines and one of the top rated mining jurisdictions in the world.

Market Balance



Source: Brook Hunt — a Wood Mackenzie company

Competitive Conditions

The nickel exploration and mining business is a competitive business. The Company competes with numerous other companies and individuals in the search for (i) the acquisition of attractive nickel and other base and platinum group metal properties; (ii) qualified service providers and labour; and (iii) equipment and suppliers. The ability of the Company to acquire nickel and other base and platinum group metal properties in the future will depend not only on its ability to operate and develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploration and development. See "Risk Factors - Competition".

Employees

As at December 31, 2010, the Company had a total of 28 employees.

Environmental Protection

The current and future operations of the Company, including development and mining activities, are subject to extensive federal, provincial and local laws and regulations governing environmental protection, including protection and remediation of the environment and other matters. Compliance with such laws and regulations increases the costs of and delays planning, designing, drilling and developing the Company's properties. See disclosure regarding environmental matters under the description of the Dumont Nickel Project (discussed below).

THE DUMONT NICKEL PROJECT

Information in this section is summarized or extracted from the Technical Report. The authors of the Technical Report are William J. Lewis, BSc., P.Geo., Alan J. San Martin, MAusIMM, Richard M. Gowans, P.Eng., David Penswick, P.Eng., Michel Lemieux, Eng., M. Sc., Pierre Primeau, P.Eng. and Colin Hardie, P.Eng., each of whom is independent of Royal Nickel and a "Qualified Person", as defined in NI 43-101. The Technical Report was prepared in accordance with the requirements of NI 43-101 as of September 30, 2010.

Portions of the following information are based on assumptions, qualifications and procedures which are set out only in the full Technical Report. For a complete description of the assumptions, qualifications and procedures associated

with the following information, reference should be made to the full text of the Technical Report which is available for review on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") located at www.sedar.com.

Property Description and Location

The Dumont Nickel Project is located in the western portion of the Province of Quebec. Specifically, the property is located in the Launay and Trécesson Townships in the Abitibi Region. The location of the Dumont Nickel Project is shown in Figure 1. The property is located approximately 25 km west of the city of Amos, approximately 60 km northeast of the industrial and mining city of Rouyn Noranda and 70 km northwest of the city of Val D'Or.

The Dumont Nickel Project consists of 138 contiguous mineral claims totalling 5,884.63 ha. The mineral claims confer the subsurface rights only. Approximately 25% of the surface rights for the property are held privately and the balance is public land. See Figure 2 for a claim map of the Dumont Nickel Project. In cases where private land has been crossed during the exploration program, agreements have been reached with the surface owners for access to the drill sites. There are no known formal native land claims covering the Dumont Nickel Project.

Figure 3 shows the extent of the lands that are classed as an agricultural zone within the meaning of the Loi sur la protection du territoire et des activités agricoles respecting the preservation of agricultural land and agricultural activities. Mining activity on these lands would require rezoning and exclusion of these lands from the agricultural zone by the Quebec Agricultural Land Commission. This exclusion must be requested by the local municipality. The application for exclusion must demonstrate that there are no suitable non-agricultural lands available for the stated purpose in the municipality. Royal Nickel does not expect that exclusion for the purpose of developing the Dumont Nickel Project would be unreasonably withheld.

Drilling on public land (Crown land) is being conducted under a forestry operational permit with the Quebec Ministry of Natural Resources, whereby stumpage fees are paid for timber cut in order to access drill sites.

Figure 1
Dumont Nickel Project Location Map

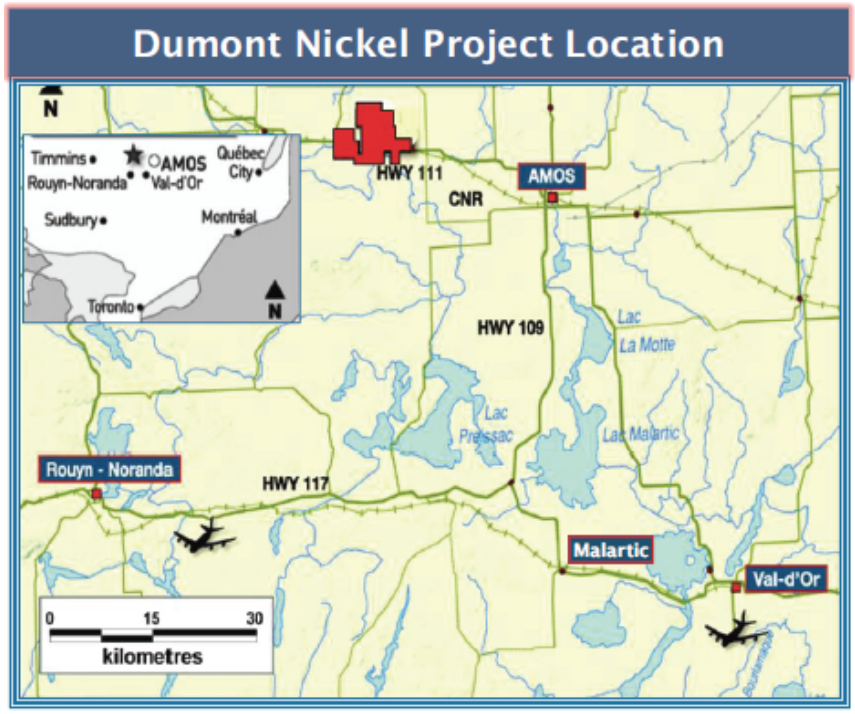


Figure 2
Dumont Nickel Project Mineral Claims

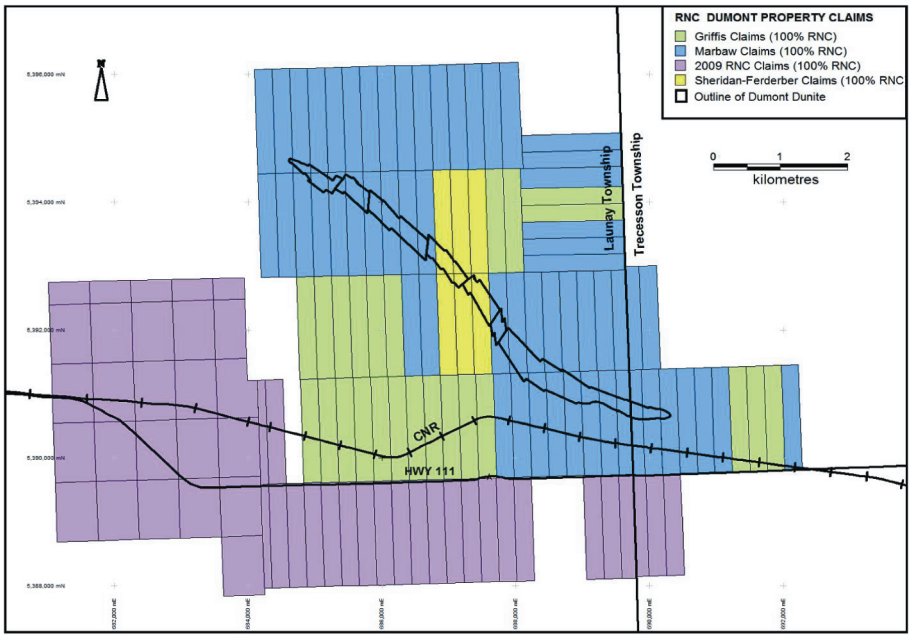
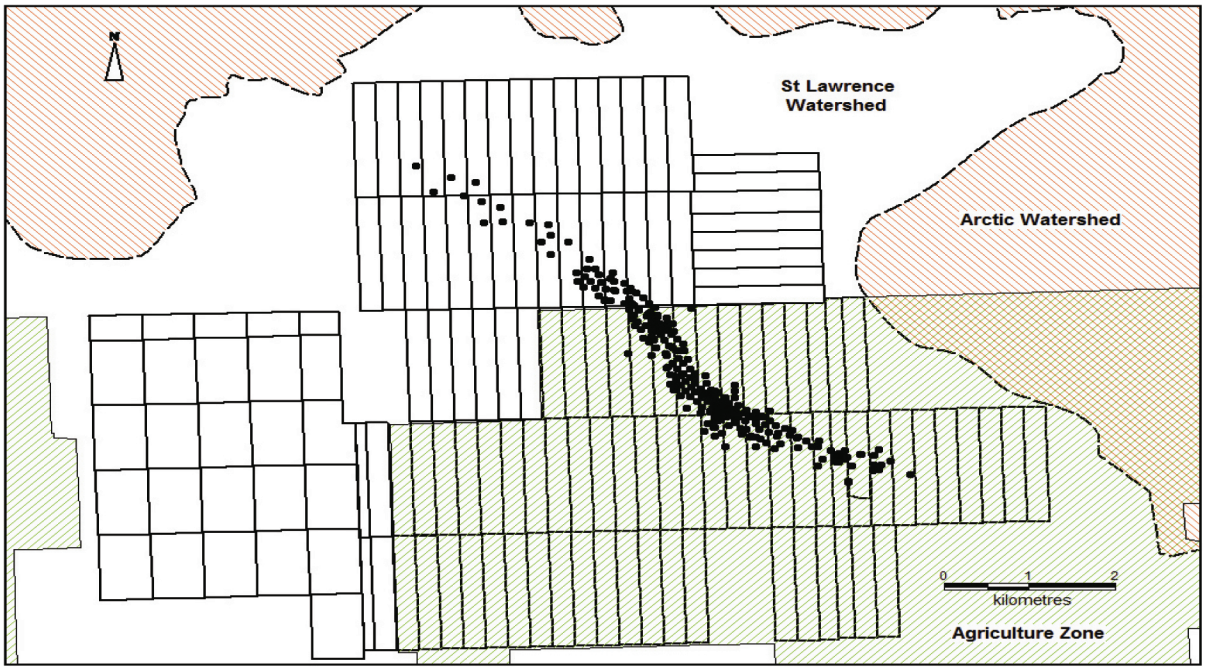


Figure 3
Location Map Showing the Arctic-St. Lawrence Drainage Divide and Agricultural Zone Lands as they Relate to the Dumont Nickel Project



Note: Black circles represent Royal Nickel drill holes

The mineral claim boundaries coincide with the established township Lot and Range boundaries. The mineralized zones which comprise the Dumont Nickel Project are located mainly in Ranges V, VI and VII on Lots 46 to 62 of

Launay Township and in Range V on Lots 1 to 3 of Trécesson Township. The property is covered by a layer of glacial overburden and swamp land and mineralization subcrops approximately 30 m below the present surface.

The mineral claims are held 100% by Royal Nickel. The mineral claims can be subdivided into four blocks, three of which were obtained from separate parties. Accordingly, each block is the subject of a separate underlying agreement. The details of the underlying mineral claim agreements are described below.

Dumont Nickel Project Mineral Claims

Griffis Claims

The Griffis Claims are comprised of 24 mineral claims totalling 1,011.37 ha. This block of claims was originally held by Griffis International Ltd. ("**Griffis**"), but a 100% interest in and to the mineral claims was sold and transferred to Royal Nickel under an agreement dated January 15, 2007. The agreement with Griffis is not subject to any further future consideration, work commitment requirement or royalty payments. Royal Nickel must assign $28,800 of admissible exploration work and pay renewal fees of $1,248 every two years to the Quebec Ministère des Ressources Naturelles et de la Faune ("**MRNF**") in respect of the Griffis Claims.

Marbaw Claims

The Marbaw Claims are comprised of 58 contiguous mineral claims totalling 2,341.10 ha. This block of claims was originally held by Marbaw, but a 100% interest in and to the mineral claims was sold and transferred to Royal Nickel under an agreement dated March 8, 2007.

Future consideration consists of the requirement to issue 7,000,000 Common Shares to Marbaw upon the property being placed into commercial production or upon transfer (including through a merger, consolidation or asset purchase) of the property to a third party.

Royal Nickel has also committed to incurring a minimum expenditure of $8,000,000 on the property covering the Marbaw Claims prior to ceasing operations. This commitment was met in 2008. The Marbaw Claims are also subject to a 3% NSR payable to Marbaw. Royal Nickel has the right to buy back one half of the 3% NSR for $10,000,000 at any time. Royal Nickel must assign $69,600 of admissible exploration work and pay renewal fees of $3,016 every two years to the MRNF in respect of the Marbaw Claims.

Sheridan Ferderber Claims

The Sheridan Ferderber Claims are comprised of 6 contiguous mineral claims totalling 256.47 ha. The claims were originally held 50% by Terrence Coyle ("**Coyle**") and 50% by Michel Roby ("**Roby**"), but they were optioned to Patrick Sheridan and Peter Ferderber under an agreement dated October 26, 2006. The option agreement was subsequently assigned to Royal Nickel through an agreement dated May 4, 2007.

Royal Nickel's option to acquire 100% interest in this block of mineral claims was exercised by the completion of $75,000 in work on the mineral claims before October 26, 2008 and by paying $10,000 to Coyle and Roby by October 26, 2007 and $30,000 to Coyle and Roby by October 26, 2008.

The Sheridan Ferderber Claims are subject to a 2% NSR royalty payable to Coyle (1%) and Roby (1%). Royal Nickel has the right to buy back one half of the 2% NSR for $1,000,000 at any time. An advance royalty of $5,000 per year is also payable to Coyle and Roby beginning in October 2011. Royal Nickel must assign $7,200 of admissible exploration work and pay renewal fees of $312 every two years in respect of the Sheridan Ferderber Claims.

Royal Nickel Claims

In March 2009, Royal Nickel staked a contiguous buffer block of 50 mineral claims totalling 2,275.69 ha to the southwest of the Dumont Nickel Project. In 2010, the Company staked 51 additional buffer claims totalling approximately 1,700 ha at the margins of the Dumont Nickel Project in order to secure mineral tenure over zones of potential infrastructure development. Because of claim boundary adjustments subsequent to staking, there are now 100 claims in this group. There is no known mineral resource on the Royal Nickel Claims. Royal Nickel holds a 100% interest in and to the Royal Nickel Claims, which are not subject to any royalty or other underlying agreement. Royal Nickel must assign $114,400 of admissible exploration work and pay renewal fees of $4,940 every two years to the MRNF in respect of the Royal Nickel Claims.

Royal Nickel is unaware of any outstanding environmental liabilities attached to the Dumont Nickel Project.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Dumont Nickel Project is readily accessible from the city of Amos, via Quebec provincial Highway 111 which runs along the southern boundary of the Dumont Nickel Project in an east-west direction. The Dumont Nickel Project is accessed from Highway 111 via a network of forestry and township boundary roads which branch off the highway. Royal Nickel has constructed over 3.5 km of gravelled all-weather roads to provide year-round access from Highway 111 along the axis of the Dumont sill between lines 5200E and 10400E. These roads and a gravel pit on the Dumont Nickel Project have been permitted by the Quebec Ministry of Natural Resources.

The Canadian National Railway crosses the Dumont Nickel Project just north of Highway 111. The major centre for the area is the city of Amos with a population of 12,584 according to the last Canadian census (2006). Amos has a municipal airport, but scheduled flights from major centres land at either the Rouyn Noranda or Val d'Or airports. Rouyn Noranda and Val d'Or are the main regional centres with populations of approximately 39,925 and 31,130, respectively. See Figure 4 for a map indicating the access and various other geographical features in the area of the Dumont Nickel Project.

The Dumont Nickel Project is located approximately 25 km west of the city of Amos, approximately 60 km northeast of the industrial and mining city of Rouyn Noranda and 70 km northwest of the city of Val d'Or.

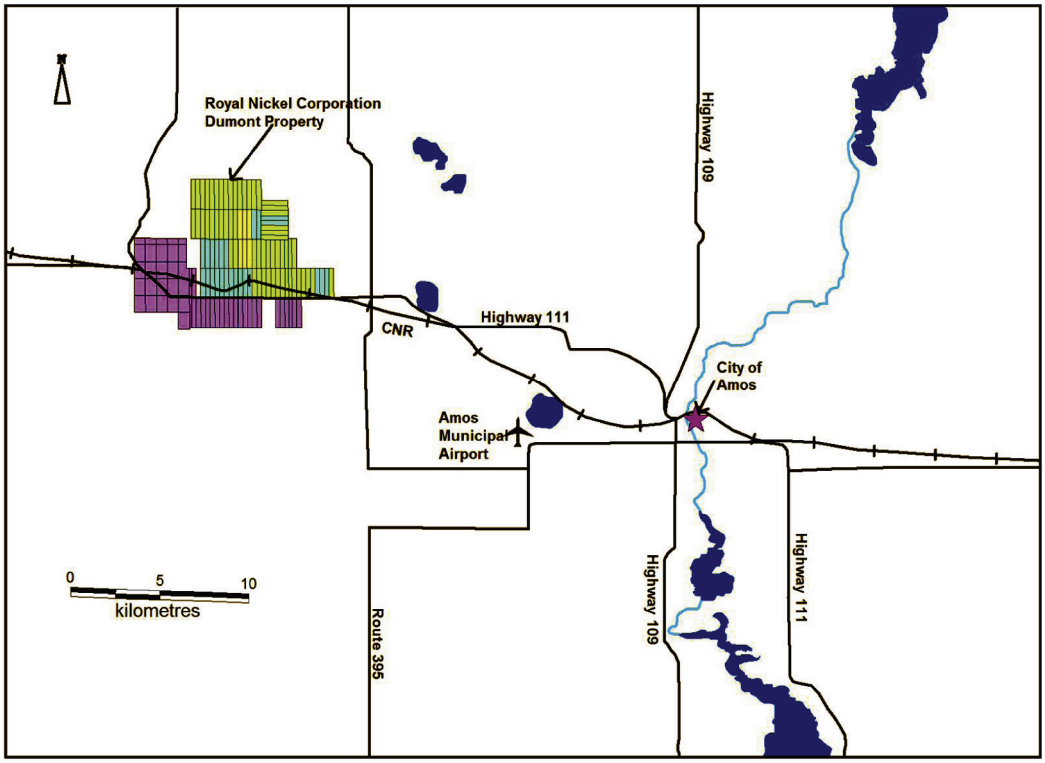
Access to Amos from Rouyn Noranda is via provincial Highways 117 and 109 and access from Val d'Or is via provincial Highways 117 and 111. Both Rouyn Noranda and Val d'Or are well-established mining communities and skilled labour for mining is readily available in these centres. The closest accommodations are located in Amos, which has several motels, hotels and restaurants.

The Dumont Nickel Project is situated in the Abitibi region of northwestern Quebec. The Dumont Nickel Project exhibits low to moderate relief up to a maximum of 30 m and lies between 310 m and 350 m above sea level.

The climate at the Dumont Nickel Project is continental with an average annual temperature of 1.2°C, a monthly high of 23°C in July and a monthly low of −23°C in January. Total average annual precipitation is 918 mm. While field exploration work can be conducted year-round, drill access in low-lying boggy areas is best during the frozen winter months. Also, periodic heavy rainfall or snowfall can hamper exploration at times during the summer or winter months.

Water for diamond drilling programs is obtained from several creeks which run through the Dumont Nickel Project and is generally pumped to the drill sites. However, fresh water can also be supplied by the nearby Villemontel River. Power to the Dumont Nickel Project may be supplied by the Hydro Quebec Amos substation.

Figure 4
Map Indicating Access and Geographical Features in the Area of the Dumont Nickel Project



Wildlife on the Dumont Nickel Project consists of moose, black bear, beaver, rabbit and deer. Some logging has been conducted on the Dumont Nickel Project with the wood being used primarily for pulp.

History

While the presence of ultramafic and mafic rocks has been known on the Dumont Nickel Project property since 1935, the presence of nickel within the rock sequence was only discovered in 1956, and it was not until the 1970s that the existence and potential of the large low-grade nickel mineralization was first recognized.

Exploration programs and geological surveys completed between 1935 and 1969 led to the discovery of the Dumont Nickel Project ultramafic sill and associated nickel mineralization. Between 1969 and 1982, exploration programs and related geological and engineering studies resulted in the identification of three zones of nickel mineralization.

References to resources and reserves contained in this section are to terms that predate NI 43-101 and should not be relied upon although they may be indicative of the presence of potentially economic mineralization. Historical mineral resources and reserves were reported in an August 1971 summation report by John Honsberger (the "**Honsberger Report**") which stated both the potential resources for the deposit and the reserves for the No. 1 deposit, using a 0.50% nickel cut-off grade. This estimate was part of the earlier Caron, Dufour, Séguin & Associates ("**CDSA**") Feasibility Study, for an underground mine which was planned to produce 4,500 tons per day. The potential for the deposit was based upon a number of intersections, as well as those intersections obtained on the No. 1 "Orebody". The figures were used in the CDSA February, 1972 Feasibility Study, as well as in a 2004 report by J.C. Caron.

The Honsberger Report was based on two earlier CDSA reports which were reproduced in their entirety within the Honsberger Report. The 1971 reserve estimate was prepared by E. Séguin, P.Eng. for CDSA.

The historical mineral resource and reserve estimate in the Honsberger has been superseded by Royal Nickel's mineral resource estimates, starting with the April 2008 estimate.

After 1974, with lower nickel prices in the world market, there was reduced interest in developing the property due to the low-grade nature of the deposit.

In 1982, exploration resumed on the property and four percussion 15.2 cm diameter holes were drilled and cuttings recovered to prepare a bulk sample. Sporadic work continued on the property until 1992 when interest again waned.

In 1986, J. M. Duke, a geologist from the Geological Survey of Canada, studied the mineralization and petrogenesis of the Dumont sill. J. M. Duke concluded that it was possible to discover sulphide enrichment zones at the basal contact of the intrusion and recommended that drilling should be conducted to explore this contact. In his 1986 report, J.M. Duke estimated the potential resources for the Dumont Nickel Project at 175 million tonnes grading 0.47% nickel over the three nickel enriched layers.

A drilling program was conducted in 1987 to test the sill contacts for platinum and palladium at two locations. The best intersection from this program was drill hole 87-7, located in the east near drill hole E-7, inside and adjacent to the sill contact. This mineralized intersection graded 0.61% nickel, 0.10% copper, 190 ppb platinum and 900 ppb palladium over 6.4 m. Drill holes 87-12 to 14 in the main zone did not reach the contact. Drilling by Royal Nickel has confirmed the occurrence and grade of this mineralization at the basal contact at the eastern end of the Dumont sill.

Between 1999 and 2004, a minor amount of exploration work was conducted on the Dumont Nickel Project on behalf of Frank Marzoli. No work was conducted during the 2005 to 2006 period.

In late 2006 and early 2007, Royal Nickel raised money to conduct an initial exploration drilling program followed by further infill and step-out drilling. Royal Nickel has been conducting exploration, along with other studies, on the Dumont Nickel Project since its acquisition.

Geological Setting

The Dumont sill lies within the Abitibi subprovince of the Superior geologic province of the Archean age Canadian Shield. The Abitibi belt is a 2,700 to 2,725 million year old volcano sedimentary terrain that lies on the southeastern margin of the Superior province. Rock units consist of ultramafic to felsic intrusions and their submarine extrusive equivalents ranging from basalt to rhyolite as flows and pyroclastic accumulations, and sedimentary formations ranging from conglomerates to greywackes and iron formations.

The sill is one of several mafic to ultramafic intrusive bodies that form an irregular, roughly east-west alignment, between Val d'Or, Quebec and Timmins, Ontario. Late stage structural deformation within the belt was followed by intrusion of granitic stocks and batholiths.

The Dumont sill is bounded by mafic to intermediate lavas and volcaniclastic rocks of the Barraute volcanic complex, an assemblage of three volcanic cycles, with the Dumont sill being situated within the middle cycle. The sill is presumed to be the magma chamber feeder to overlying gabbroic sills and basaltic lava flows. Rock units in the immediate area of the sill strike northwesterly and have a moderate to steep northeasterly dip.

The Dumont sill is poorly exposed over a strike length of 7.5 km and comprises a lower ultramafic zone which averages 450 m in true thickness and an upper mafic zone about 250 m thick. The ultramafic zone is subdivided into the lower peridotite, dunite and upper peridotite subzones. The lower peridotite and upper peridotite subzones are olivine+chromite cumulates with variable amounts of intercumulus clinopyroxene. The dunite subzone is an olivine adcumulate containing very small amounts of intercumulus chromite and clinopyroxene. Cumulus nickel sulphide and alloy minerals occur in certain parts of the dunite subzone and locally in the lower peridotite.

Exploration

Since acquiring the right to explore the Dumont Nickel Project, Royal Nickel has undertaken an aggressive exploration program to evaluate and develop the mineral resources on the Dumont Nickel Project.

Royal Nickel conducted an initial exploration drilling program in 2007 which consisted of five twin holes to confirm the historic drilling results, followed by a further 38 infill and step-out drill holes totalling 15,606 m.

Following positive results from this initial phase, Royal Nickel continued to conduct a comprehensive exploration program on the Dumont sill which consisted of two parts implemented progressively throughout 2007.

The first part of the exploration program was comprised of:

- a 200 m spaced sectional drilling program designed to increase confidence in the historical resource defined around the central zone mineralization between sections 7400E and 8700E, down to a vertical depth of approximately 350 m from surface; and

- a helicopter borne geotech vertical-axis time domain electromagnetic ("**VTEM**") and magnetic survey over the entire Dumont Nickel Project.

The second part of the program began in late 2007 and continued through 2008. This portion was designed to:

- provide further confidence on the central zone resource on 100 m spaced sections;

- complete drilling on 200 m spaced sections in other zones of promising mineralization;

- complete an initial evaluation of the relatively unexplored portions of the Dumont sill; and

- test targets generated by the VTEM survey.

Forty three diamond drill holes totalling 17,288 m were drilled in 2007.

The exploration program in 2008 focused on completing diamond drilling on regularly spaced sections and 40,803 m were drilled in 96 holes up to October 31, 2008. Results were received from 89 holes totalling 37,638 m. In addition, two short drill holes totalling 231 m were completed to gather metallurgical samples.

In addition to the drilling, a surface mapping program was carried out over the Dumont Nickel Project, primarily to provide a structural geology framework for the modelling of the Dumont Nickel Project deposit.

The exploration work completed in 2009 focused on diamond drilling on regularly spaced sections in order to increase confidence in the Dumont Nickel Project mineral resource. In addition to this resource definition drilling, several programs intended to characterize the deposit and its environment were undertaken in order to support development studies. This included several holes completed to define structures to assist in geological interpretation and deposit modelling, to assess geotechnical properties of the rock and to provide samples for metallurgical testing. Additionally, ongoing environmental baseline studies and mineralized material and waste rock characterization studies continued in 2009.

In 2009, drilling was completed to yield a nominal 100 m by 100 m drill spacing over the Dumont Nickel Project deposit from section 5700E to 9000E. In addition, 50 m by 50 m spaced drilling was completed over two blocks, centred on section 8250E and on section 6850E. The purpose of this drilling was to assess the variability of the deposit on the 50 m scale as compared to the 100 m scale. In total, 18,061 m of core drilling in 52 holes were completed in 2009 for the purpose of resource definition.

For the purpose of defining major geological structures (faults) in the central portion of the deposit, 1,359 m were drilled in four oriented core holes. These holes were drilled parallel to the strike of the deposit and at high angles to

the major structures that cross-cut the deposit. Data from these structural holes were combined with the global drill hole database and surface mapping by John Fedorowich, Ph.D., P.Geo., of Itasca Consulting Canada Inc., to produce a first order structural model for the deposit that was used to delimit structural domains and help constrain the resource block model.

In order to define rock mass characteristics and evaluate open pit slope angles on an indicative basis, data collection for a preliminary geotechnical study was carried out in 2009. Work associated with this study included the measurement and analysis of 1,503 m of core from drilling three oriented core holes near section 6800E, and a limited hydrogeological study between sections 6500E and 7500E.

A total of 2,964 m of drilling in eight holes was completed for metallurgical testwork, and three holes totalling 406 m were completed for crushing testwork. Additionally, a series of seven pilot drill holes totalling 1,757 m were completed to characterize the near-surface mineralization in order to select representative mineralization domains for sampling by large diameter drilling for mini pilot plant testing in 2010.

The 2010 exploration programs include resource definition drilling, structural drilling and modelling, geotechnical (rock mechanics) drilling and studies, pilot plant test holes (NQ), geotechnical (overburden) holes, pilot plant sample holes (PQ), geological mapping, mineralogical mapping sampling and overburden modelling.

The 2010 resource drilling program consisted of four holes totalling 2,353 m. These holes were drilled between sections 6900E and 7100E for the purpose of delineating the unconstrained down-dip extent of mineralization in this portion of the deposit.

The structural drilling program defined major geological structures (faults) within the central portion of the deposit.

The geotechnical (rock mechanics) drilling program defined rock mass characteristics and evaluated open pit slope angles. The results were incorporated into the drilling database and the current mineral resource.

The geotechnical (overburden) drill hole program consisted of five holes totalling 104 m, which was designed to characterize the overburden material located above the indicated resources to aid in engineering work for a future preliminary assessment and for the installation of three piezometers for future groundwater measurements and will serve as the basis for future geotechnical investigations.

A PQ drilling program consisted of thirteen holes totalling 2,785 m to provide representative mineralogical variability in a larger sample size for testwork at the pilot plant used by Royal Nickel and located in Thetford Mines, Quebec.

Mineralogical sampling of the Dumont Nickel Project core began in 2009. The mineralogical sampling program uses the SGS Lakefield Research EXPLOMINTM Particle Scan analysis to provide detailed mineralogical information on mineral assemblages, nickel deportment, liberation, alteration and the variability of these factors. Mineralogical samples were taken for the purpose of metallurgical domain composite characterization and for the purpose of mineralogical mapping of the Dumont Nickel Project deposit.

Mineralogical mapping sample locations were planned so as to provide representative spatial and compositional down drill hole traces for holes on even numbered sections from 5800E to 9000E, with the goal of providing comprehensive representation of the mineralogical variability of the deposit. A total of 732 mineralogical mapping samples were collected as of August 16, 2010.

Metallurgical domain composite characterization samples were selected on an ongoing basis to represent the mineralogy of each metallurgical domain composite as defined for testwork. A total of 70 metallurgical domain characterization samples were collected as of August 16, 2010.

The overburden modelling program was completed in June, 2010, to incorporate the new data from the geotechnical (overburden) drill hole program with all the existing drill hole data, outcrop mapping data, and LIDAR Bare Earth Survey Model data to produce one comprehensive overburden thickness map for the Dumont Nickel Project.

Mineralization

Two types of mineralization have been identified historically within the Dumont sill: the primary large low-grade to medium grade disseminated nickel deposit and the contact-type nickel copper platinum group elements ("**PGE**") occurrence discovered in 1987. Drilling by Royal Nickel has also identified discontinuous PGE mineralization associated with disseminated sulphides at lithological contacts in the layered intrusion and within the dunite.

Disseminated Nickel Mineralization

Nickel bearing sulphides and a nickel-iron alloy are enriched within three distinct layers of the dunite subzone — the upper, middle and lower layers — and are broadly disseminated throughout the dunite and lower peridotite subzones. In thinner parts of the dunite subzone, fewer than three enriched layers may be present. Nickel mineralization continues at lower grades between the enriched layers.

Disseminated nickel mineralization is characterized by disseminated blebs of pentlandite ($(Ni,Fe)_9S_8$), heazlewoodite (Ni_3S_2), and the ferro nickel alloy, awaruite ($Ni_{2.5}Fe$), occurring in various proportions throughout the sill. Millerite (NiS) is also present in lesser amounts near host rock contact zones. These minerals can occur together as coarse agglomerates, often associated with magnetite, up to 10 mm, or as individual disseminated grains ranging from 0.002 to 1 mm.

The observed mineralogy of the Dumont Nickel Project deposit is likely a result of the serpentinization of a dunite which hosted a primary disseminated (intercumulus) magmatic sulphide assemblage.

Royal Nickel's mineralogical sampling program provides an analytical measure of the whole-rock mineralogy which is the basis for the classification of the disseminated nickel mineralization into three distinct mineralization types: sulphide, alloy, and a transition between these two members referred to as "mixed". The mineralization types are defined by the ratio of nickel bearing sulphides to awaruite ((pentlandite+heazlewoodite)/awaruite). Samples with a ratio of greater than 5.5 are classified as sulphide mineralization type. Samples with a ratio of less than 0.85 are classified as alloy mineralization type. Samples with a ratio of between 0.85 and 5.5 are classified as mixed.

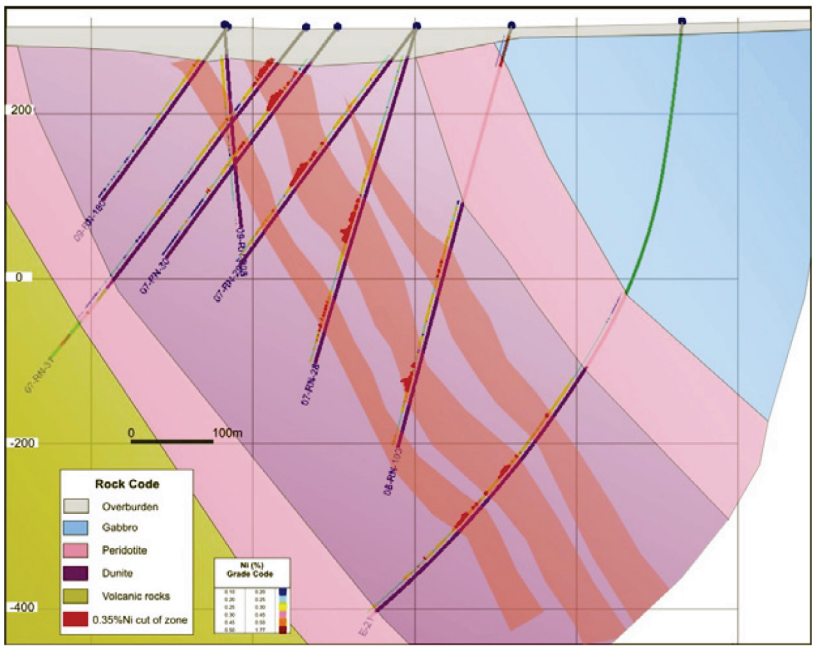
The sulphide mineralization type occurs in higher grade bands (over 0.35% nickel) parallel to the dip of, and principally in the centre of, the sill and is dominated by pentlandite and/or heazlewoodite with lesser awaruite. Sulphides occur as medium to coarse grained blebs associated with magnetite±brucite±chromite, in intercumulus spaces as a primary magmatic texture.

The alloy mineralization type is characterized by the presence of awaruite as fine, discrete grains and/or associated with intercumulus magnetite blebs. Alloy mineralization generally occurs parallel to the Dumont sill along the hangingwall and footwall boundaries.

The mixed mineralization type typically occurs as halos around the sulphide and alloy mineralization types. The mixed mineralization contains varying amounts of sulphide (pentlandite and heazlewoodite) along with awaruite in similar quantities. Mineralization can occur as coarse sulphide magnetite blebs associated with awaruite or as finely disseminated discrete grains.

Figure 5 illustrates the positions of the three nickel enriched layers in the dunite subzone.

Figure 5
Cross Sectional View on Line 8100E Showing the Position of the Three Nickel-Enriched Layers



Contact-Type Ni-Cu-PGE Mineralization

Drilling by Royal Nickel has confirmed the occurrence and grade of the historically identified mineralization at the basal contact at the eastern end of the Dumont sill. Drill hole 08-RN-71 intersected 0.8 m of semi-massive pyrrhotite grading 0.99% nickel, 0.19% copper, 0.3 g/t platinum, 1.0 g/t palladium and 0.07 g/t gold at the contact between the Dumont Nickel Project intrusive and footwall volcanics. This contact related mineralization appears to be restricted in extent.

Royal Nickel has drilled several holes through the footwall of the Dumont Nickel Project intrusion, to test weak, VTEM anomalies. The holes intersected barren pyrrhotite pyrite mineralization in the footwall volcanics in proximity to the contact, but no nickel bearing sulphides were found.

All contact-type nickel copper-PGE mineralization described is outside the current mineral resource estimate.

Other Types of PGE Mineralization

Royal Nickel's drilling has further delineated three anomalous PGE horizons in addition to the basal contact type described above. The first is associated with the pyroxenite layer overlying the upper peridotite. This zone varies in thickness from 1.5 to 22.0 m with grades ranging from 0.01 to 0.16% nickel, 0.08 to 0.39 g/t platinum, and 0.04 to 0.34 g/t palladium. The second lies under the main sulphide body, and was previously identified during research on the historical drilling. This zone ranges from 0.4 to 34.5 m thick with grades ranging from 0.18 to 1.37% nickel, 0.01 to 0.76 g/t platinum, and 0.01 to 0.14 g/t palladium. The third is located approximately 100 m below the lowest sulphide body, near the dunite contact with the lower peridotite. This horizon is ranges from 1.0 to 139.5 m thick with grades ranging from 0.09 to 0.49% nickel, 0.003 to 0.84 g/t platinum, and 0.03 to 1.86 g/t palladium.

These horizons are generally observed to be continuous along strike and dip, where drilling is present. The PGE phases in these horizons comprise alloys of palladium/tin (Pd/Sn), platinum/copper (Pt/Cu), and platinum/nickel (Pt/Ni) which are intimately associated with nickel sulphides.

Drilling

The sectional resource drilling program, initiated in 2007, was designed to maintain a nominal 100 m spacing between holes within the plane of the section and along strike, except in the 50 m by 50 m variability testing blocks where 50 m spacing was maintained. The program was designed to define mineralization down to a nominal depth of 400 m from surface (−90 m elevation). In places, drilling has investigated mineralization down to a depth of 650 m (−340 m elevation).

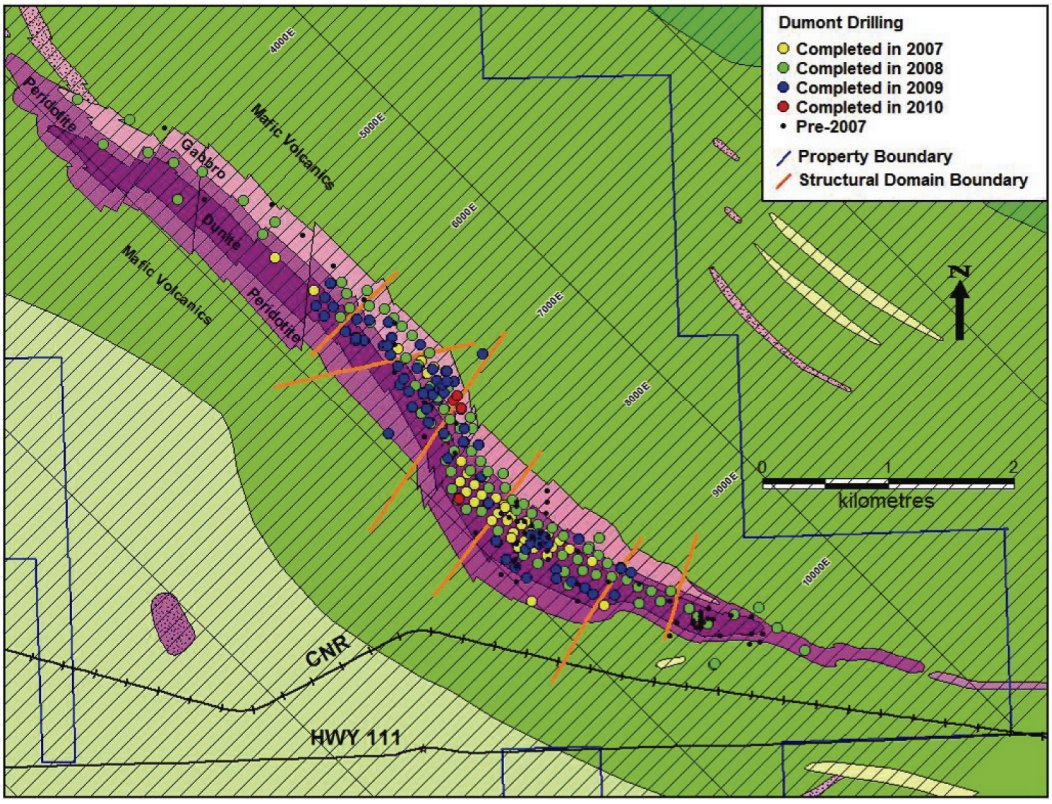
Details of the Royal Nickel drilling programs completed since acquiring the Dumont Nickel Project as set out in the Technical Report are provided in Table 1.

Table 1
Summary of the Royal Nickel Drilling Programs on the Dumont Nickel Project by Category

	2007 to 2008		2009		2010		Total	
Purpose of Drilling	**Number of Holes**	**Total Metres**	**Number of Holes**	**Total Metres**	**Number of Holes**	**Total Metres**	**Number of Holes**	**Total Metres**
Twin Hole	5	1,681					5	1,681
Sectional Resource Definition	148	63,498	52	18,061	4	2,353	204	83,912
Structural			4	1,359			4	1,359
Geotechnical (Rock Mechanics)			3	1,503			3	1,503
Pilot Plant Test Holes (NQ)			7	1,757			7	1,757
Total Drilling included in the Current Resource Estimate							**223**	**90,212**
Metallurgical Sample Drilling	2	230	8	2,964			10	3,194
Crushing Testwork Sample Drilling			3	406			3	406
Geotechnical Drilling (overburden)					5	104	5	104
PQ Test Hole Drilling					13	2,785	13	2,785
Total	**155**	**65,409**	**77**	**26,050**	**22**	**5,242**	**254**	**96,701**

The location of all drill holes completed by Royal Nickel since acquiring the Dumont Nickel Project are shown in Figure 6.

Figure 6
Location of the Resource Definition Drill Hole Collars on the Dumont Nickel Project



Royal Nickel has contracted Forages M. Rouillier, an independent diamond drilling contractor in Amos, Quebec to conduct the drilling program at the Dumont Nickel Project. Forages M. Rouillier used custom built diamond drill rigs mounted on skids or self-propelled tracked vehicles with NQ diameter diamond drill coring tools.

Drill hole directional surveys were conducted using a Maxibor down-hole survey tool which calculates the spatial coordinates along the drill hole path based on optical measurements of direction changes and gravimetric measurements of dip changes.

All geological, engineering and supervision portions of the drilling program were overseen by geological staff of Royal Nickel, principally Dr. John Guo, P.Geol., OGQ, and Mr. Lorne Burden, P.Geo., supervised by Mr. Alger St-Jean, P.Geo., Vice-President Exploration for Royal Nickel. The 2010 drilling program was designed by the geological staff of Royal Nickel with input from Micon, based on the analysis of the results of the previous exploration and drilling programs on the Dumont Nickel Project.

Sampling and Analysis

Sampling of the deposit is primarily through diamond drilling of core, following industry standard procedures. In general, the core recovery for the diamond drill holes on the Dumont Nickel Project has been better than 98% and little core loss due to poor drilling methods or procedures has been experienced. The diamond drill core sampling is conducted under the close supervision of the Royal Nickel geologist in charge of the program on site. Royal Nickel staff is responsible for the integrity of the samples until they are shipped to the assay preparation facilities in Rouyn Noranda, Quebec or Timmins, Ontario.

After each run, core is removed from the core barrel and placed in core boxes. Small wooden tags are placed in the box to mark the distance drilled in metres at the end of each run. The hole and box numbers are marked on each box

and checked by the geologist. Once filled, the box is covered with a lid and twice a day the drill contractor transports the full boxes to the Royal Nickel core logging facility in Amos.

Upon receipt at the Amos facilities, core boxes are placed sequentially on logging tables where the core is washed, logged and sampled. Geotechnical logging is completed first to check the core pieces for best fit and to determine core recovery, rock quality designation, index of rock strength and magnetic susceptibility. The number of open (natural) fractures in the core is counted and the fracture surfaces are evaluated for their joint surface condition. Geological logging includes the recording of lithology, alteration, texture, colour, mineralization, structure and sample intervals. All logging and sampling data are recorded directly into a computerized database using data logging software.

Core for geochemical assay is sampled by defining consecutive intervals of 1.5 m maximum length. The core is split using a diamond saw, except in the case of extreme rock hardness when a hydraulic splitter is used. Each sample interval is cut down the middle to produce representative halves. One half-core is sent to ALS-Chemex for assaying while the remainder is placed back in the box for future reference. Samples are sent by courier in batches of 100 to 150 samples. The reference core is stored indoors in a dry storage facility.

During sampling for resource estimation assay, a unique numbered tag was inserted into each sample bag and the bag marked with this number. Bags containing blank and standard samples were added into the sequential numbering system prior to being shipped to the assay preparation facilities of Expert Laboratories in Rouyn Noranda or ALS-Chemex in Timmins. No field duplicate samples were added to the control samples during the sampling of the initial drilling program which twinned historical holes. Royal Nickel began regularly inserting field duplicates into the sampling stream beginning with drill-hole 07-RN-04.

The blank samples used for the Dumont Nickel Project consist of local esker sand, collected in a 205-L drum by a construction contractor in Amos. Random samples from the drum were assayed at ALS-Chemex to evaluate the composition of the sand and determine its suitability for use as a blank control sample. The assayed nickel grades range from 30 to 80 ppm. Royal Nickel sets 200 ppm nickel as the recommended upper limit of the blank sample value. The qualified blank sample drum is sealed and placed at a clean place for further use. Blanks are inserted into the sample stream at the rate of approximately one for every 25 samples.

A duplicate sample is also submitted into the sample stream at a rate of approximately one for every 25 samples. The sample and its duplicate consist of quartered core from the given sample interval. The remaining half-core is placed back into the core box for future reference.

Standard Reference Material Samples ("**SRMS**") are inserted into the sample stream at the rate of approximately one for every 25 samples. Initially, one high grade SRMS ("**OREAS 14P**") was inserted into the sample stream for every three low-grade SRMS ("**OREAS 13P**") submitted. After the phasing out of OREAS 13P and OREAS14P, OREAS 70P SRMS are inserted into at the rate of one for every 25 samples. An exception to this occurs where logging personnel visually recognize zones of higher grade mineralization; through these high grade zones OREAS 72a is inserted. If the situation arises where the 25th sample is consistently located in between higher grade mineralization zones, a higher grade sample will be inserted outside the one-in-25 sequence to ensure that the higher grade zones are represented by standard reference materials.

The drill core sampling procedures practiced by Royal Nickel are among the commonly accepted procedures used throughout the mineral industry. Along with in-house standards, blanks and duplicates included in the sample stream, routine check assays are conducted on the samples by a second laboratory. Micon has reviewed the drill core sampling practices of Royal Nickel and believes that the sampling quality is both representative of the mineralization identified at the Dumont Nickel Project and of a sufficient nature upon which to base a mineral resource estimate.

As of June 1, 2008, Royal Nickel's samples have been prepared at ALS-Chemex's preparation facility in Timmins, Ontario and analyzed at ALS-Chemex's laboratory in Vancouver, B.C. Both the preparatory facility and assay laboratory have ISO 9001:2000 certification. Prior to June 1, 2008, all samples were assayed at Expert Laboratories located in Rouyn Noranda, Quebec and then all the pulps were re-assayed at ALS-Chemex. Currently, five percent of each assay batch returned from ALS-Chemex is randomly selected for check assay at Expert Laboratories.

Although Expert Laboratories is not ISO certified, it does participate in the CANMET round robin proficiency testing twice a year. John Guo P.Geol, OGQ, Chief Project Geologist for the Dumont Nickel Project, performs an annual inspection of the Expert Laboratories facility in Rouyn Noranda, Quebec and the ALS-Chemex sample preparation facility in Timmins, Ontario.

Once the samples reach ALS-Chemex's Timmins preparation laboratory each sample is dried as needed, crushed, and split into "reject" and a 250 g aliquot for pulverization. After pulverization, the 250 g pulverized sample aliquot is again split into a 150 g master sample and a 100 g analytical sample. The 150 g master sample is stored in the Timmins facility for reference and the 100 g analytical sample is forwarded to the ALS-Chemex analytical laboratory for assaying in Vancouver. On receipt in Vancouver, the specific gravity of the analytical sample material is measured, and this is followed by a 35-element analysis using an aqua regia digestion and ICP-AES finish. Where reported nickel values exceed 4,000 ppm, a second analysis is completed from the 100-g analytical sample using a four acid total digestion with an ICP-AES finish. This 4,000 ppm re-analysis threshold was raised to 10,000 ppm on June 1, 2008. In addition, all samples are assayed for precious metals (gold, platinum, palladium) using a standard fire assay with an ICP-AES finish. After a holding period at the laboratories, all pulps and rejects are returned to Royal Nickel in Amos for long term storage.

All analytical data are reconciled with the drill-log sample records and recorded in the Dumont Nickel Project database. For the purpose of geological and resource modelling, the ALS-Chemex aqua regia determinations are used for samples under 10,000 ppm nickel and ALS-Chemex total digestion determinations are used for samples over 10,000 ppm nickel.

Samples for the mineralogical mapping program are obtained from the previously drilled and sampled half-core. The core from each hole is classified into one of three nickel mineral deportment domains: sulphide, alloy or mixed. These domains are then further subdivided based on nickel grade, grain size and degree of alteration. A representative sample is then chosen from each domain and a location for thin section sampling is marked off within the sample interval.

The selected sample is given a new unique mineralogical sample ID, photographed, and the half-core is re-split into quarter-core. One quarter-core is placed back into the box for reference and returned to storage. The other quarter-core is placed in another similarly labelled sample bag. Before the bag is sealed, a representative piece, 3.0 to 8.0 cm in length, is selected and placed in a separate storage box which acts as a quick mineralogical reference and further builds Royal Nickel's core sample library. The preselected thin section slice is cut from the quarter core that is selected for mineralogical analysis. The thin section slice is also placed in a labelled sample bag and sent directly to SGS Lakefield for thin section preparation and EXPLOMINTM Field Stitch analysis.

The sample bag containing the rest of the quarter-core is secured with staples. Typically, seven sample bags are placed into a cardboard box and secured with tape. The sealed boxes remain secured in the Amos core logging facilities until shipped to the laboratory using a courier service in batches of 50 to 100 samples at one time. Blanks and standard samples are inserted into the sample stream at regular intervals using a sequential numbering scheme set up by Royal Nickel. The ALS-Chemex preparation laboratory in Timmins conducts stage crushing, riffle splitting and pulverization. The first 100 g split of pulverized material is then sent to SGS Lakefield where the sample is prepared for EXPLOMINTM Particle Scan mineralogy and XRF Borate Fusion assay. The other 100 g split of the pulverized material is retained by ALS-Chemex for chemical analyses. The reject material is sent back to Royal Nickel's Amos office for storage. The results are forwarded to Royal Nickel and imported directly into the Dumont Nickel Project database.

Metallurgical domain composite samples are selected from PQ-size core based on nickel deportment, grade and alteration of the rocks as determined through assays and mineralogical sampling of the NQ pilot hole. On each site, a (percussion) well-drilling rig was employed to push casing to bedrock prior to the diamond drill obtaining the PQ core domain samples, drilling on a 1.5 m grid around each NQ pilot hole, in order to generate the larger sample volume required (approximately 1,800 kg/domain sample) while maintaining domain sample uniformity.

The sampling method for PQ core is identical to that described previously up to and including the geotechnical logging. Thereafter the PQ core is thoroughly washed to remove any drilling additives that may interfere with the metallurgical testwork. The PQ core is then checked for consistency with the pilot hole, by comparing lithological

contacts, mineralization, alteration, and structural features. The core is then logged for lithology, and metallurgical domain composite samples are delineated which reflect those established in the pilot NQ hole. The core is then photographed and placed in short-term indoor storage to await sampling.

The PQ sampling program is supervised by an independent, qualified engineer provided by Stavibel Inc. ("**Stavibel**") to ensure quality control of the sampling method and to certify chain of custody. The rock is weighed and transferred by domain sample from the core boxes directly into 200-L plastic barrels fitted with Schrader valves. The domain samples are kept separate and barrels are filled in sequential order. A barrel typically holds from 250 kg to 270 kg of rock. The engineer seals the full barrel and places a numbered tag on the closure to prevent or identify any possible tampering. The barrels are purged with nitrogen to prevent oxidation and degradation of the rock while the sample awaits metallurgical testwork.

Royal Nickel's Quality Assurance and Quality Control ("**QA/QC**") program and procedures follow the best practice guidelines currently in place for the industry. Royal Nickel applies a reasonable degree of care and diligence in monitoring the sample results on the Dumont Nickel Project and the QA/QC procedures and protocols employed at the Dumont Nickel Project are rigorous enough to ensure that the sample data and procedures in place at the Dumont Nickel Project are appropriate for use in a mineral resource estimate.

Micon visited the Dumont Nickel Project on five separate occasions in the period since May 2007 and performed an exhaustive validation of the entire Dumont Nickel Project database, finding only a single error in the specific gravity table. No other errors were found, providing a high level of confidence in the drilling database. Micon was satisfied that Royal Nickel's exploration program, QA/QC program and the work on the corresponding database have been appropriately undertaken and that the database may be used as the basis of a mineral resource estimate.

Security of Samples

Assay and Mineralogical Samples

Diamond drill core is stored in closed wood core boxes and is transported by the drill contractor to the Royal Nickel core logging facility in Amos twice a day. The core is stored sequentially hole by hole in racks for logging. The diamond drill core sampling is conducted by a team of several staff geological assistants under the close supervision of the Royal Nickel geologist in charge of the program on site. The Royal Nickel staff geologists are responsible for the integrity of the samples from the time they are taken until they are shipped to the preparation facilities in Rouyn Noranda or Timmins.

Once each sample is collected according to the procedures described above it is placed in its plastic sample bag, the bag is secured with electrical tie wraps and the sample bags are placed into large fabrene sacks. Generally, seven sample bags are placed into each fabrene bag and then the bag is secured with an electrical tie wrap. The fabrene sample bags remain secured in the core shack in Amos until they are shipped to the laboratory by courier. The general shipping rate for the samples is once for every 100 to 150 samples.

After hours access to the core logging, core cutting and core storage facilities, as well as the Dumont Nickel Project office, is controlled by a zoned alarm system with access restrictions based on employee function.

Metallurgical Composite samples

The metallurgical sampling program to provide composite samples to the pilot plant is supervised by an independent qualified engineer provided by Stavibel to ensure quality control of the sampling method and to certify chain of custody. The rock is weighed and transferred by domain sample from the core boxes directly into 200 L plastic barrels fitted with Schrader valves. The domain samples are kept separate and barrels are filled in sequential order. A barrel typically holds from 250 kg to 270 kg of rock. The engineer seals the full barrel and places a numbered tag on the closure to prevent or identify any possible tampering. The barrels are purged with nitrogen to prevent oxidation and degradation of the rock while the sample awaits metallurgical testwork.

When the sample is required by Royal Nickel's metallurgical group, the barrels are shipped directly via road freight to the pilot plant in Thetford Mines, Quebec.

Mineral Resource Estimates

The mineral resource estimate is based on the Dumont Nickel Project database, which contains a total of 70,577 m of assay results from 223 drill holes that Royal Nickel has obtained through its 2007 to 2010 drilling programs. The total metreage for the 223 holes available for the mineral resource estimate is 90,212 m. Micon estimated the updated mineral resource based on geological information and assaying data for the Dumont Nickel Project available as of April 22, 2010. The effective date of the mineral resource estimate is August 16, 2010. This estimate forms the basis for the preliminary economic assessment contained in the Technical Report.

Recognizing that the abundance of nickel in recoverable minerals is of paramount importance to mine planning and plant design, Royal Nickel retained Golder Associates ("**Golder**") to prepare a resource block model that would incorporate nickel grade and major mineralogical abundances. The resource block model work was completed by Olivier Tavchandjian, P.Geo., and was reviewed by Greg Greenough, P.Geo., both of Golder.

Royal Nickel has continued to use the structural (fault) model developed by Itasca Consulting, in conjunction with the definition of geological contacts and grade distribution defined by drilling, to construct several mineralized envelopes corresponding to structural domains. These mineralized envelopes have been modified from those used in previous resource estimation by expanding them slightly to accommodate the decrease in cut-off grade from 0.25% to 0.20% nickel, in line with the preliminary assessment. These envelopes have been used to spatially constrain the resource block model. The current resource block model interpolates nickel, copper, cobalt, chromium, platinum, palladium and gold grades, specific gravity, and ten factor scores used to calculate the mineral abundances of pentlandite, heazlewoodite, awaruite, olivine, magnetite, serpentine, brucite and coalingite.

Golder and Royal Nickel conducted all of their three dimensional modelling work primarily using Datamine Studio but also GEMS 6.2 software. Based on all of the available data, seven separate domain 'solid' models were generated. The seven solid models do not overlap each other in space, but all are contiguous and have been constrained using a 0.20% nickel cut-off grade.

Micon has independently verified and audited the mineralization envelopes using primarily Surpac 6.1.3 software. Micon reviewed the block model extensively and in some cases the model was refined in discussions with Royal Nickel. The final resource classification was discussed and the criteria remain the same as those used in previous reports.

Along strike, the current resource model extends between sections 3600E and 10000E. The vertical boundaries are defined using the overburden / rock interface as the upper boundary, while the lower boundary is defined using a projection of approximately 50 m below the deepest drilling assays above the cut-off grade. The hanging wall and footwall boundaries are projected in the down dip direction (average of −58°) as defined by the actual assays above the cut-off criterion.

Micon reviewed and audited the updated mineral resource estimate for Royal Nickel as of the effective date of August 16, 2010. Micon considers that the estimate is compliant with the current CIM standards and definitions required by NI 43-101 and is, therefore, reportable as a mineral resource estimate by Royal Nickel.

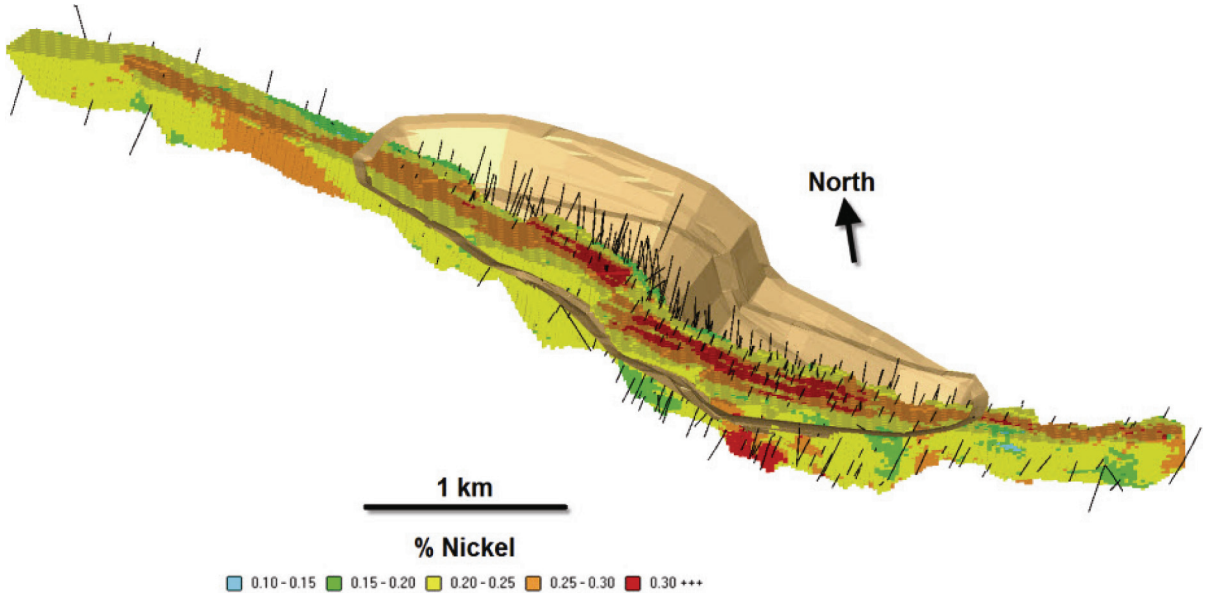
The tonnages and grades for the measured, indicated and inferred Mineral Resource estimates are summarized in Table 2.

Table 2
Summary of the Dumont Mineral Resources at a 0.20% Nickel Cut-off Grade
(As of August 16, 2010)

Area Within Deposit Model	Mineral Resource Category	Resource Tonnage	Nickel Grade (%)	Nickel (tonnes)	Nickel (pounds)
All Structural Domains	Measured	155,680,000	0.29	447,000	985,365,000
All Structural Domains	Indicated	1,003,487,000	0.27	2,707,000	5,966,826,000
All Structural Domains	**Total Measured and Indicated**	**1,159,167,000**	**0.27**	**3,154,000**	**6,952,191,000**
All Structural Domains	Inferred	581,405,000	0.25	1,451,000	3,198,220,000

Figure 7 shows the distribution of nickel grades throughout the Dumont Nickel Project deposit as set out in the Technical Report.

Figure 7
Nickel Grade Distribution Across the Dumont Nickel Project Deposit



Mineral resources that are not mineral reserves do not have demonstrated economic viability. There are no mineral reserves presently identified on the Dumont Nickel Project.

The stated mineral resources are not materially affected by any known environmental, permitting, legal, title, taxation, socio economic, marketing, political or other relevant issues, unless stated in his AIF. There are no known mining, metallurgical, infrastructure or other factors that materially affect this mineral resource estimate, at this time.

Mining Operations

The Technical Report considers the 80,000 tpd Case in which mining from an open pit provides feed for a processing plant which treats up to 80,000 tpd and produces two concentrate products for sale. In the 80,000 tpd Case, a significant stockpile of low-grade material is accumulated, which is then processed after the open pit is worked out. The 100,000 tpd Case is also considered, in which the rate of processing is increased to up to 100,000 tpd such that more of the lower grade material is processed as it arises and less is stockpiled.

The Company intends to take the 100,000 tpd Case forward into a Pre-Feasibility Study.

Geotechnical, Mine Design and Scheduling

The mining aspects of the preliminary assessment comprised studies of the safe slope angles for the open pit, calculation of the NSR value of the recoverable mineralisation within each element of the 3D block model of the resource, provisional estimates of unit operating costs for each material, open pit optimization to determine the economic limits of mining, scheduling of material movement to mill, stockpile or waste dumps so as to maximize NPV, and estimation of capital and operating costs for the required mining fleet.

Applying a factor of safety of 1.5, it was concluded that in rock, safe slope angles would be 47° on the hanging wall of the open pit and 52° on the footwall. Impoundments for waste rock will have slopes of 24° composed of ten lifts 15 m each with face angles equivalent to the angle of repose of approximately 34° and berms of 11 m width.

In order to determine the economic limits of open pit mining, NPV Scheduler software was used to apply the Lerchs Grossmann algorithm to the recoverable NSR values and provisional unit cost estimates for each element in the 3D resource block model, taking account of the slope angles given above and expected differences in the metallurgical response.

Through analysis of multiple schedules reflecting different rates of mining and processing, an optimal schedule has been arrived at which accelerates mining to a rate which exceeds that required to keep the mill supplied. In doing so, the opportunity arises to selectively feed the mill with higher value material while stockpiling the rest. Once the open pit has been completed, it can be used as a repository for tailings arising from milling of the stockpiled material. This strategy results in a higher NPV than one in which the mining rate is matched to the milling rate.

The mining fleet requirement as set out in the Technical Report is summarized in Table 3. In addition to purchase of the new units identified here, provision has been made in the sustaining capital estimate for rebuilding some of this equipment.

Table 3
Mining Fleet — 80,000 tpd Case

	Overburden				Rock			
			No. Reqd				No. Reqd	
Unit	Size	Example	Init.	Sust.	Size	Example	Init.	Sust.
Rotary Drill	n/a	—	—	—	270 mm Ø	P&H XP320	4	1(1)
Production FEL	13 m^3	Cat 992	7	—	43 m^3	LeTorneau L2350	1	3
Rope Shovel	n/a			—	55 m^3	P&H 4100 XPC	3	1(1)
Haul Truck	100 t	Cat 777	27	—	360 t	Cat 797	17(1)	32(1)
Track Dozer	13 m^3	Cat D9	3	1	27 m^3	Cat D11	2	3(2)
Rubber Tyre Dozer	8 m^3	Cat 834	3	1	25 m^3	Cat 854	2	3(2)
Grader	16-ft blade	Cat 16M	3	1	24-ft blade	Cat 24M	3	4(2)
Water Tanker	40 t	Cat 769	2	—	135 t	Cat 785	2	—

(1) One additional unit is required for the 100,000 tpd Case.

(2) One less unit is required for the 100,000 tpd Case.

Metallurgical Testwork and Process Design

Initial metallurgical testwork was carried out on samples from the Dumont Nickel Project in 1971-1972, and focused on grinding, flotation and magnetic separation but achieved an overall nickel recovery of around 55%.

Royal Nickel's testwork commenced in 2007-2008 at SGS Mineral Services in Lakefield, Ontario under the management of Royal Nickel's independent metallurgical consultants, Mineral Solutions. Tests were performed on composite samples representing the three different styles of mineralization that have been identified, namely sulphide, alloy and mixed. Different flowsheets were used for each style of mineralization, but all incorporated wet grinding as the initial stage. Encouraging results were obtained for sulphide mineralization, but the recovery and concentrate grade for both the alloy and mixed mineralization samples was poor due to excessive slimes and high viscosity.

The second stage of the current program, which began in late 2008, was also managed by Mineral Solutions. During this phase, the process concept changed significantly, with the focus on pre-treatment to remove chrysotile fibres and brucite slimes. With the resulting reduction in slimes and lowered pulp viscosity, nickel recovery and concentrate grades improved markedly. This flowsheet was then developed into a standard process test to perform variability analysis on domain composite samples.

The metallurgical performance for the three styles of mineralization (sulphide, alloy and mixed) using a common flowsheet was estimated by Mineral Solutions using the results from the metallurgical testwork program. These estimates as set out in the Technical Report are summarized in Table 4.

Table 4
Average Composite Sample Parameters and Estimated Nickel Recoveries

			Style of Mineralization		
Description		**Units**	**Sulphide**	**Alloy**	**Mixed**
Average Sample Grades	Minimum	% Ni	0.28	0.24	0.21
	Maximum	% Ni	0.53	0.48	0.59
	Average	% Ni	0.42	0.33	0.36
	Cut-off	% Ni	0.17	0.17	0.18
Average Ni Deportment.....	Ni in Pentlandite	% of Total Ni	20	17	31
	Ni in Heazlewoodite	% of Total Ni	67	5	17
	Ni in Awaruite	% of Total Ni	6	56	27
	Ni in Silicates	% of Total Ni	7	22	25
Ni Recovery to Rougher Concentrate....	Minimum(1)	% of Contained Ni	62	31	34
	Maximum(1)	% of Contained Ni	78	79	79
	Average(1)	% of Contained Ni	70	55	56
	Adjusted Recovery(2)	% of Contained Ni	78	61	62

(1) Recovery to rougher concentrate, excludes contribution from fibre and slimes scavenger circuits.

(2) Adjustment includes contribution from fibre and slimes scavenger circuits which increases overall recovery to rougher concentrate by a minimum of 6% (alloy and mixed mineralization) to a maximum of 8% (sulphide mineralization). These estimates are based on recovering approximately 50% of the contained Ni reporting to these scavenging circuits.

The key elements of the flowsheet as set out in the Technical Report are:

- four-stage crushing, with Vertical Shaft Impact ("**VSI**") crushers used for tertiary and quaternary crushing;
- ore drying, to ensure moisture content in VSI feed does not exceed 2%;
- de-fibering of crushed mill feed using air classifiers;
- grinding by ball mills, followed by de-sliming;

- scavenger circuits to recover approximately 50% of nickel associated with the fibres and slimes (or approximately 5% of total contained nickel);

- magnetic separation, with the magnetic concentrate further separated into ferro nickel and nickel sulphide concentrates by flotation;

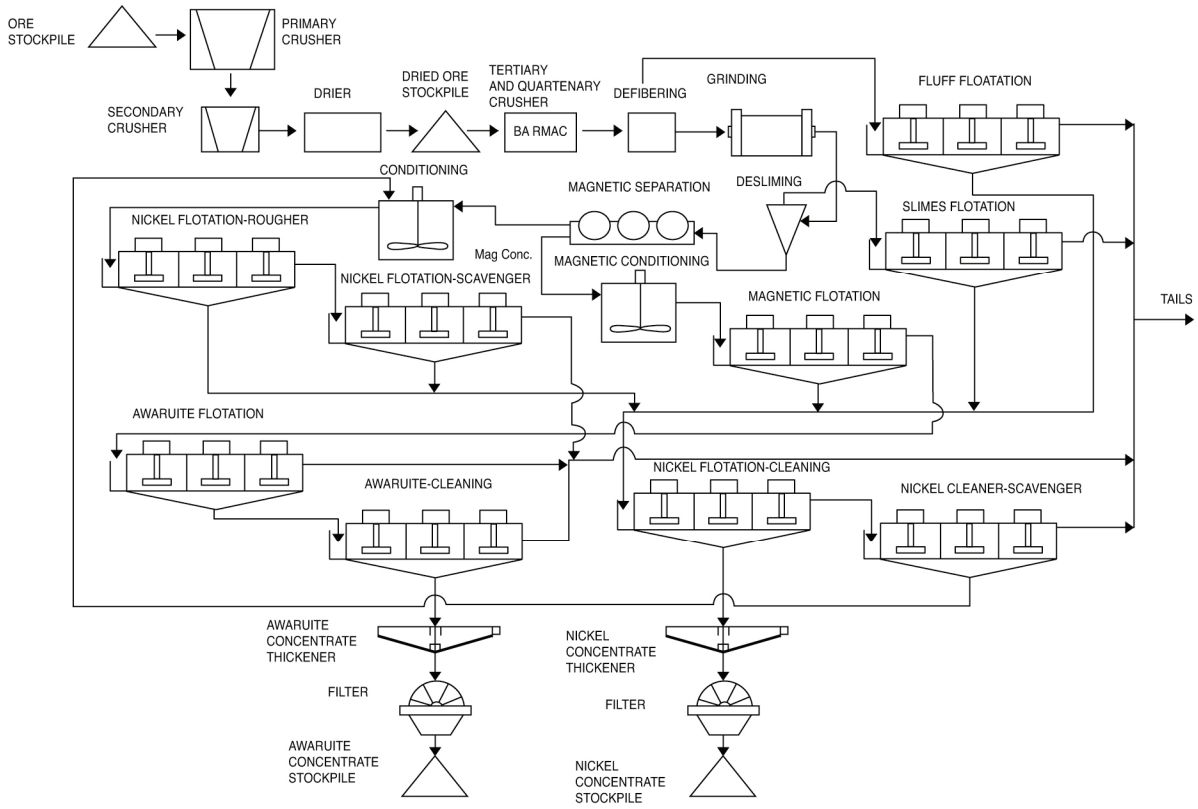
- flotation of the magnetic separation tails to recover the bulk of nickel sulphide concentrate, which will be combined with concentrates from the scavenger and magnetic circuits;

- cleaning of the separate ferro nickel and nickel sulphide concentrates; and

- the fibre, slimes and rock tails will be combined into a single tailings product for disposal.

The flowsheet for the concentrator as set out in the Technical Report is shown in Figure 8.

Figure 8
Processing Flowsheet



The Company continues to test and optimize the processing flowsheet in the mini pilot plant. The goal is to optimize the capital and operating costs by reducing complexity while maintaining recovery.

Tailings Management

Tailings from the fibre, slimes and flotation streams will be combined into a single product, which will have a relatively low density of 45% solids after thickening. During operation of the open pit, underflow from the tailings thickener will be pumped into the tailings management facility ("**TMF**") using positive displacement pumps. After

open-pit operations are complete, tailings generated from the treatment of lower grade stockpiles will be pumped into the mined-out pit using lower-cost centrifugal pumps.

The TMF will be a conventional terrestrial facility that uses approximately 20% of the waste rock from the open pit for construction of an impoundment dyke. Clay in the underlying overburden, where present, will essentially act as a low permeability membrane. On closure, the TMF will contain 618 Mt of tailings, while the impoundment dykes will contain 197 Mt of waste rock. The maximum height will be 41 m.

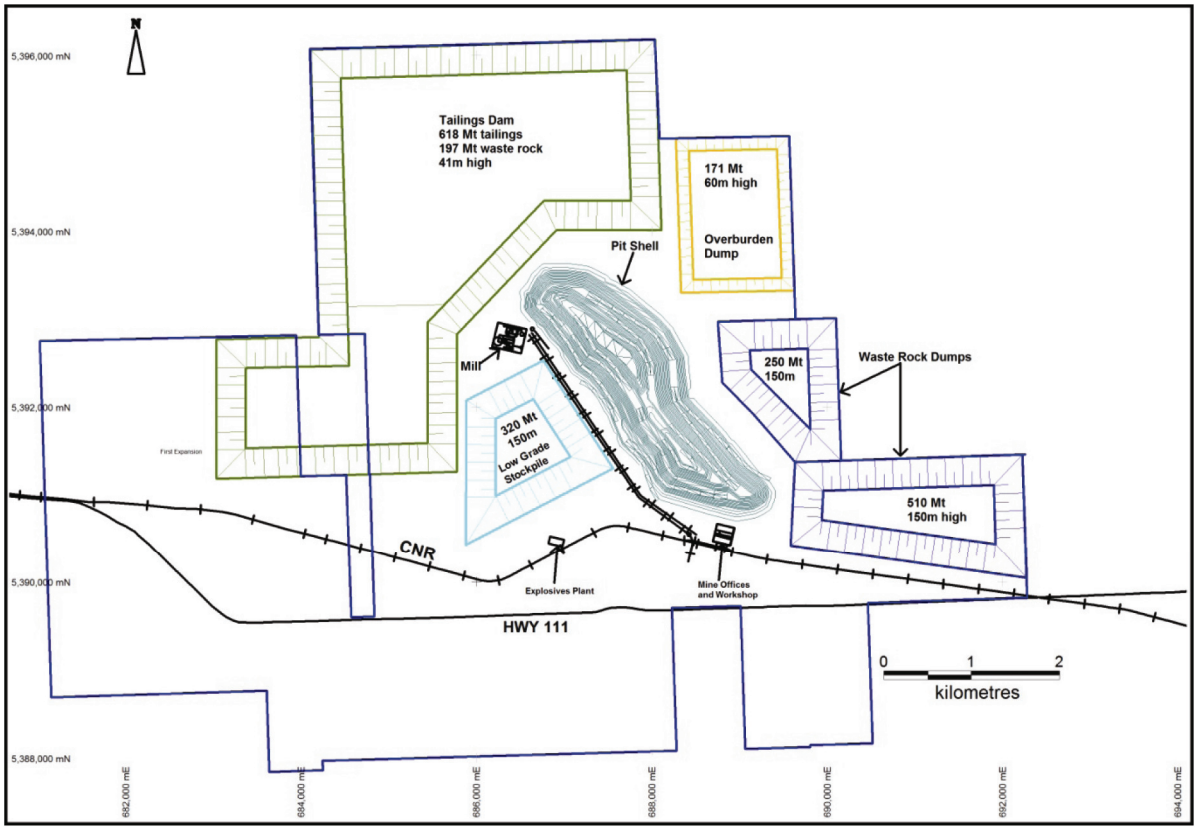
Infrastructure

Figure 9 illustrates the proposed site layout at the end of open-pit operations as set out in the Technical Report. Key elements include:

- the open pit, from which 2,011 Mt of mill feed and waste will have been excavated. The ultimate pit will measure 3.7 km by 1.1 km and will be approximately 650 m deep;
- a temporary stockpile of lower grade mineralization. At the end of open-pit operations, this stockpile will contain 320 Mt grading 0.24% Ni, sufficient for 11 years of mill feed at the 80,000 tpd Case;
- two waste rock storage facilities that will contain a total of 760 Mt;
- a TMF which, at the end of open-pit operations, will contain 618 Mt of tailings, while the impoundment dykes will contain 197 Mt of waste rock;
- an overburden storage facility, containing 171 Mt;
- the main administration buildings, warehouse, fuel farm and mine workshops. These are located close to the existing highway and Canadian National Railway rail line;
- the mill, which is located close to the TMF in order to minimize pumping costs; and
- load-out facility located on a railway spur, close to the administration building.

At the end of project life, the open pit will have been partially filled with tailings produced over the final 11 years life of the operation, the temporary low-grade stockpile will have been reclaimed. Approximately 15 Mt will have been removed from the overburden stockpile and used to rehabilitate waste rock storage facilities and the TMF.

Figure 9
Site Layout at the End of Open Pit Operations



Manpower

Average manpower requirements will vary through the life of the operation and, in particular, will be reduced over the final 11 years when mining has ceased. The average complement of full-time employees over the life of the Dumont Nickel Project for the 80,000 tpd Case will be 515 persons. During the construction phase, it is estimated that employment will peak at 1,400.

Environmental Aspects

Environmental studies are well advanced. Three phases of environmental baseline studies were completed during the 2007 - 2009 period in order to establish the pre-development environmental condition of the Dumont Nickel Project and identify potential areas of impact, and a preliminary geochemistry study has been carried out on a representative sample of mineralization, waste and potential tailings from the Dumont Nickel Project deposit to determine acid rock drainage and leaching characteristics. Future studies are planned and include: further geochemical analysis to fully understand and predict the behaviour of tailings and waste rock, with a particular focus on the potential for metal leaching; construction of an experimental in-situ tailings cell to quantify the potential for carbon sequestration under operating conditions by the serpentine component of the tailings; hydrological studies to quantify the impact of proposed operations on the local water table and a nearby aquifer bearing esker; quantifying the impact of mining operations on existing wetlands and fish habitats, and identifying opportunities for mitigation; and characterization of the soils in the area that would be impacted by operations.

Once the Dumont Nickel Project scope is finalized during the Preliminary Feasibility Study, a project notice (the "**Project Notice**") will be submitted to the MDDEP. MDDEP will accordingly advise on the scope and requirements of an environmental impact study.

The Dumont Nickel Project scope is such that this study would be assessed jointly at the provincial and federal levels under the Canada-Quebec Cooperation Agreement. It is expected this assessment could take up to two years from the time of submission of the Project Notice before the granting of a Certificate of Authorization to commence construction. The assessment period would run in parallel with the Feasibility Study and detailed engineering and the overall impact on the project's critical path would thus be minimal.

Implementation Schedule

The Dumont Nickel Project development schedule proposes that initial commercial production will take place in the second half of 2015, with full production being achieved in the first quarter of 2016.

The schedule assumes that the Project Notice will be submitted to MDDEP as soon as the pre-feasibility design has been completed. A total of 24 months has been allowed from submission of the Project Notice to receipt of a Certificate of Authorization to proceed with construction. The timeline to receipt of licences for operation can be increased by up to three months (to 27 months overall) without impacting on the critical path.

Re-zoning of claims classified as agricultural lands will take place in parallel with the permitting process.

The impact to overall schedule resulting from the permitting process will be minimised by initiating procurement of long lead-time items and completing much of the detailed engineering design prior to receipt of the Certificate of Authorization. The key equipment items for process plant, with approximate lead times for delivery, are the ball mills (58 weeks), primary crusher (53 weeks) and transformer (43 weeks).

The schedule includes an allowance of 18 months for detailed engineering prior to the start of plant construction at site. This activity is on the overall critical path.

Capital Cost Estimate

The capital cost estimate (±40%) as set out in the Technical Report is summarized in Table 5. It is expressed in real January 2010 terms and assumes a long-term exchange rate of US$0.90/$1.00.

The cost estimate for the mining fleet was generated from first principles, using the mine production plan to estimate the fleet requirements. The cost of each unit was taken from a database of equipment parameters provided by various original equipment manufacturers ("**OEMs**").

Overburden and waste rock pre-stripping costs were also generated from first principles, using the operating cost model. Accordingly, the estimate is considered to be of a higher level of accuracy than is normally required for a preliminary assessment.

The capital estimate (±40%) for the process plant was generated by BBA Engineering ("**BBA**"), based on the conceptual flowsheet described earlier. BBA had initially generated an estimate for a 75,000 tpd flowsheet. In order to estimate costs for the 80,000 tpd Case and the 100,000 tpd Case, factors were developed to account for the change in the number and/or size of individual pieces of equipment (and associated infrastructure) in order to achieve a different production rate. As indirect costs include a greater percentage of fixed costs than direct costs, different factors were used to adjust the direct and indirect cost line items.

Table 5
Capital Cost Summary

US$ millions	80,000 tpd Case	100,000 tpd Case
Initial Capital		
Mine	448	457
Process Plant	709	859
Tailings Dam	124	138
Infrastructure	131	152
Indirects	242	274
Contingency	369	424
Sub-Total	2,023	2,304
Sustaining Capital		
Mine Fleet	331	354
Mill	367	361
Tailings Dam	159	153
Closure	100	100
Contingency	181	182
Sub-Total	1,139	1,150
Total Capital	$3,162	$3,454

The estimate of sustaining capital includes the following items:

- replacement and rebuilding of the mine fleet, the schedule of which was based on the mining production schedule.
- replacement of major components within the mill, as estimated by BBA, based on the initial cost of construction. Note that the 100,000 tpd Case cost is less than the 80,000 tpd Case cost due to the reduced life of this scenario (25 years vs. 31 years).
- costs associated with progressively expanding the TMF, which were estimated in the same manner as the initial capital estimate. Note that the bulk of material used to construct dam extensions would be transported using 360 t trucks travelling on the starter lift that had been constructed using smaller units, and thus has a lower associated cost of transportation.
- closure costs, which make provision for the following:
  - removal of all permanent structures, estimated to cost US$45 million;
  - rehabilitating the TMF and waste rock dumps with stockpiled overburden, the cost of which was based on the estimated cost of stripping overburden (as the same units would be used). Costs equated to US$0.025/tonne of waste impounded for a total of US$42 million; and
  - a provision for ongoing treatment of water. The combined annual cost of water treatment plant operations and maintenance was estimated to be approximately US$1.35 million, based on costs at similar operations. The $NPV_{10\%}$ (at closure) of incurring this cost in perpetuity was US$13 million.

Under Quebec's current *Mining Act*, a reclamation bond must be posted to cover 70% of the cost to reclaim areas of accumulation, soil stabilization, securing openings and pillars, constructing water treatment plants and reclaiming roads. Proposed revisions to the *Mining Act*, as included in Bill 79, will increase the financial guarantee from 70% to

100% of the estimated reclamation cost and include more activities than those presently covered. Accordingly, in the cash flow model closure costs are split into (i) bond payments, incurred over the first five years of operation (amounting to 100% of the costs for which bonds are required), and (ii) decommissioning and monitoring costs, reflected as a lump sum at the end of the mine life.

Operating Cost Estimate

Operating costs were estimated in the following manner:

- open pit mining costs were estimated from first principles, based on the mine schedule, performance parameters for mining equipment as recommended by OEMs, and the current cost of commodities and labour rates. This estimate is considered to be of a higher level of accuracy than is normally required for a preliminary assessment;
- processing costs were estimated by BBA, based on rates of consumption for reagents and other consumables determined from metallurgical test work, and a labour structure that is appropriate for the proposed flowsheet;
- operating costs for the TMF were estimated by Golder, based on the design of the facility, including pumping distances, and the associated number of pumps required;
- general and administrative costs were estimated from first principles, based on the level of support required for the operation; and
- costs for treatment and refining of concentrates were based on the assumed commercial terms described earlier, and the scheduled production of concentrates.

A summary of operating costs (±40%) as set out in the Technical Report is provided in Table 6.

Table 6
Estimated Site Operating Cost Summary

Area	Units	80,000 tpd Case	100,000 tpd Case
Mining	US$/t mined	1.57	1.52
	US$/t treated	3.51	3.40
Processing	US$/t treated	6.75	6.63
G&A	US$/t treated	0.52	0.42
Sub-Total Site Costs	**US$/t treated**	**10.78**	**10.45**
	US$/lb Ni	2.94	2.85
TC/RCs	US$/lb Ni	1.18	1.18
By-Product Credit	US$/lb Ni	(0.16)	(0.16)
Cash Costs[(1)]	**US$/lb Ni**	**3.96**	**3.87**

(1) Cash costs include mining, processing, site administration and refining, net of by product credits

Commercial Assumptions

The Technical Report is based on the production of a conventional nickel sulphide concentrate and a ferro nickel concentrate. As yet, no off-take agreements have been entered into, so the preliminary assessment is based on assumed commercial terms. The nickel sulphide concentrate will grade 35% Ni and 1% Co. The MgO content of this concentrate is expected to be between 7% and 10%, which is in line with the MgO content in concentrates produced by other ultramafic operations. The nickel sulphide concentrate is also expected to contain potentially

economic concentrations of platinum group metals and gold. The ferro nickel concentrate will grade 25% Ni with some cobalt, chromium and copper values in addition to iron. It is anticipated that the nickel sulphide concentrate will be treated conventionally, at smelters and refineries, to yield pure nickel. Assumptions regarding commercial terms for this concentrate have been based on benchmark rates and include:

- transportation charges of US$115/t, to cover rail transport to Quebec City (approximately 500 km) followed by ocean transport to Europe (Boliden AB), Russia (MMC Norilsk Nickel) or China (Jinchuan). In the event that concentrate is treated in Sudbury (approximately 500 km by rail), transportation charges would be significantly lower;

- base treatment charge ("**TC**") for smelting of US$125/t, with a US$25/t penalty for MgO content;

- base refining charge ("**RC**") of US$0.70/lb, for a base nickel price of US$5.00/lb;

- the Technical Report was based on a long-term Ni price of US$7.50/lb. Price participation escalator has been assumed to be 10% of the excess over a base price of US$5.00/lb Ni. This results in a price participation charge of US$0.25/lb;

- payment for 93% of nickel in concentrate;

- payment for 50% of contained cobalt in concentrate. Refining charges for payable cobalt were assumed to be US$3.00/lb; and

- since no metallurgical work has been performed to determine the grade of PGEs and other potentially economic by-products in concentrate, no payment has been assumed for these.

It is intended that the ferro nickel concentrate will be marketed directly to stainless steel producers, which are the primary end users of nickel. There are fewer available benchmarks for commercial terms, and assumptions used include:

- a conservative estimate regarding percentage payable for contained nickel of 90%, based on the equivalent stainless steel scrap value of feed to the process;

- transportation charges of US$115/t to cover rail transport to Quebec City (approximately 500 km) followed by ocean transport to stainless steel producers located in east Asia (China, Taiwan or Korea), Europe or the United States;

- no charges for treatment and refining, since the ferro nickel concentrate would not require upgrading before end use in steelmaking; and

- it has been assumed that no payment would be received for iron, chromium or other potentially valuable elements contained in the concentrate.

Project Evaluation

The Technical Report is preliminary in nature and there is no certainty that the preliminary assessment will be realized. Inferred mineral resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. Inferred resources have not been included in this preliminary assessment.

The evaluation included the following key macroeconomic assumptions:

- a long-term price for nickel of US$7.50/lb. Sensitivity analysis considered a range of ±10%, or US$6.75/lb - US$8.25/lb;

- a long-term price for cobalt of US$12.00/lb. As the contribution of cobalt is only 1.7% of total NSR, it was not included in the sensitivity analysis;

- a long-term exchange rate of US$/$ = 0.90. Sensitivity analysis considered a range of ±10%, or US$/$ = 0.81 - 0.99; and

- long-term oil price of US$80/bbl. The impact of the variation in oil price was included within the sensitivity analysis of changes in total operating costs.

Table 7 summarizes key metrics for the 80,000 tpd Case and the 100,000 tpd Case, Figure 10 illustrates the LOM free cash flow for the 80,000 tpd Case and Figure 11 illustrates the 100,000 tpd Case, in each case as set out in the Technical Report.

Table 7
Summary Metrics

Item	Units	80,000 tpd Case	100,000 tpd Case
Mill Feed[1]	million tonnes	896	896
Grade	% Ni	0.27	0.27
Waste	million tonnes	1,115	1,115
Stripping Ratio	ore:waste	1.24	1.24
Concentrator Recovery	% of contained Ni	65.5%	65.5%
Payables	% of recovered Ni	92.5%	92.5%
Recovered Ni	million lb	3,551	3,551
Payable Ni	million lb	3,286	3,286
Mill Throughput	thousand t/d	80	100
Project Life	Years	31	25
Peak Ni	million lb/y	145.1	176.2
Annual Payable Ni	million lb/y	106.0	131.5
Site Operating Costs	US$/tonne ore	10.78	10.45
Cash Costs[2]	US$/lb Ni	3.96	3.87
Initial Capital	US$ million	2,023	2,304
Sustaining Capital	US$ million	1,139	1,150
Total Capital	US$ million	3,162	3,454
Pre-Tax $NPV_{10\%}$	US$ million	1,073	1,433
Pre-Tax IRR	%	17.3	19.1
Post-Tax $NPV_{10\%}$	US$ million	488	694
Post-Tax IRR	%	14.1	15.4

(1) Diluted in-pit measured and indicated resources.

(2) Cash costs include mining, processing, site administration and refining, net of by product credits.

Figure 10
80,000 tpd Case LOM After-Tax Net Cash Flow

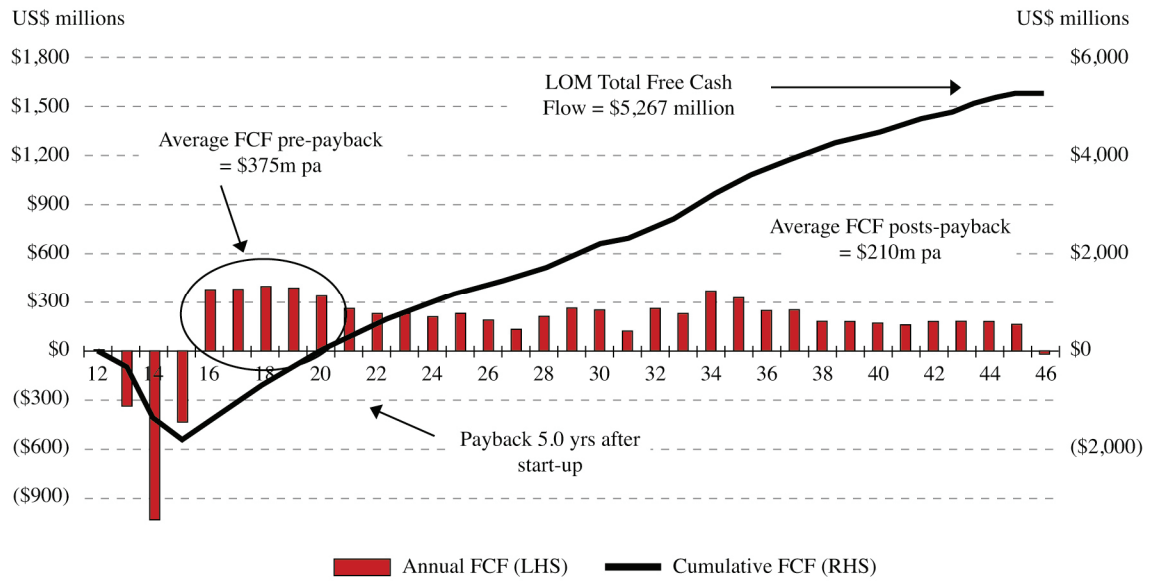


Figure 11
100,000 tpd Case LOM After-Tax Net Cash Flow

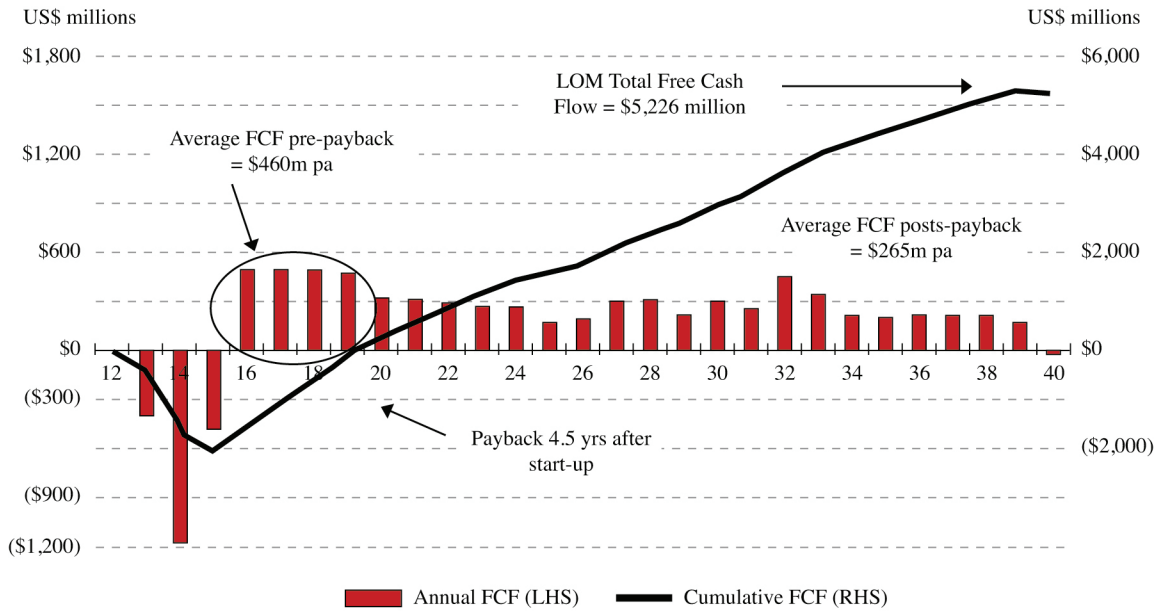


Figure 12 and Figure 13 illustrate the sensitivity as set out in the Technical Report of the 80,000 tpd Case and 100,000 tpd Case, respectively, to the potential variation of ±10% in the following key input assumptions:

- Long-term nickel price (±10%: US$6.75/lb - US$8.25/lb)
- Long-term exchange rate (±10%: US$/$ = 0.81 - 0.99)
- Average concentrator recovery (±10%: 59.0% - 72.1%)

- Average head grade (±10%: 0.247% Ni - 0.301% Ni)
- Total capital costs (±10%: US$2,846 million - US$3,478 million)
- Site operating costs (±10%: US$9.70/t - US$11.86/t)
- TC/RCs (±10%: US$1.06/lb - US$1.30/lb)

Both cases display similar behaviour, with results most sensitive to the nickel price (a 1% change has an impact of US$40 million on the 80,000 tpd Case and US$47 million on the 100,000 tpd Case), head grade and recovery (for either, a 1% change has an impact of US$38 million on the 80,000 tpd Case and US$44 million on the 100,000 tpd Case) exchange rate of $/US$ (a 1% change has an impact of US$24 million on the 80,000 tpd Case and US$28 million on the 100,000 tpd Case). Results are equally sensitive to variation in capital and operating costs (for either, a 1% change has an impact of US$17 million on the 80,000 tpd Case and US$19 million on the 100,000 tpd Case). Variation in TC/RCs would have a lesser impact (a 1% change will have an impact of US$7 million on the 80,000 tpd Case and US$8 million on the 100,000 tpd Case).

Figure 12
Sensitivity of NPV — 80,000 tpd Case

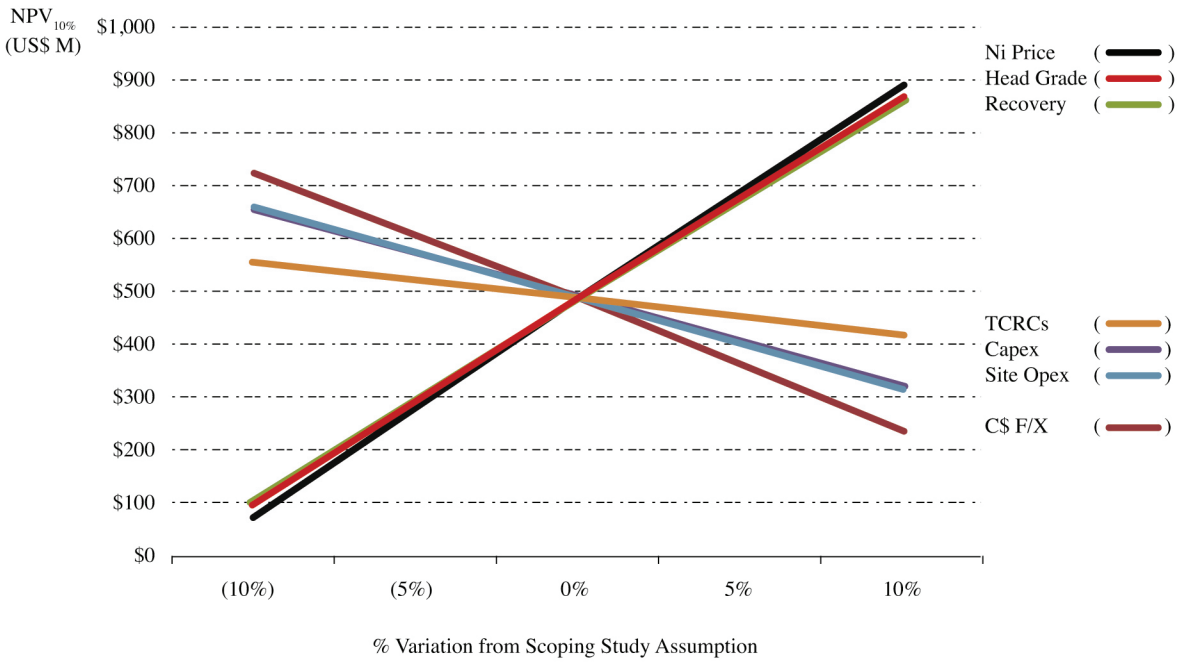
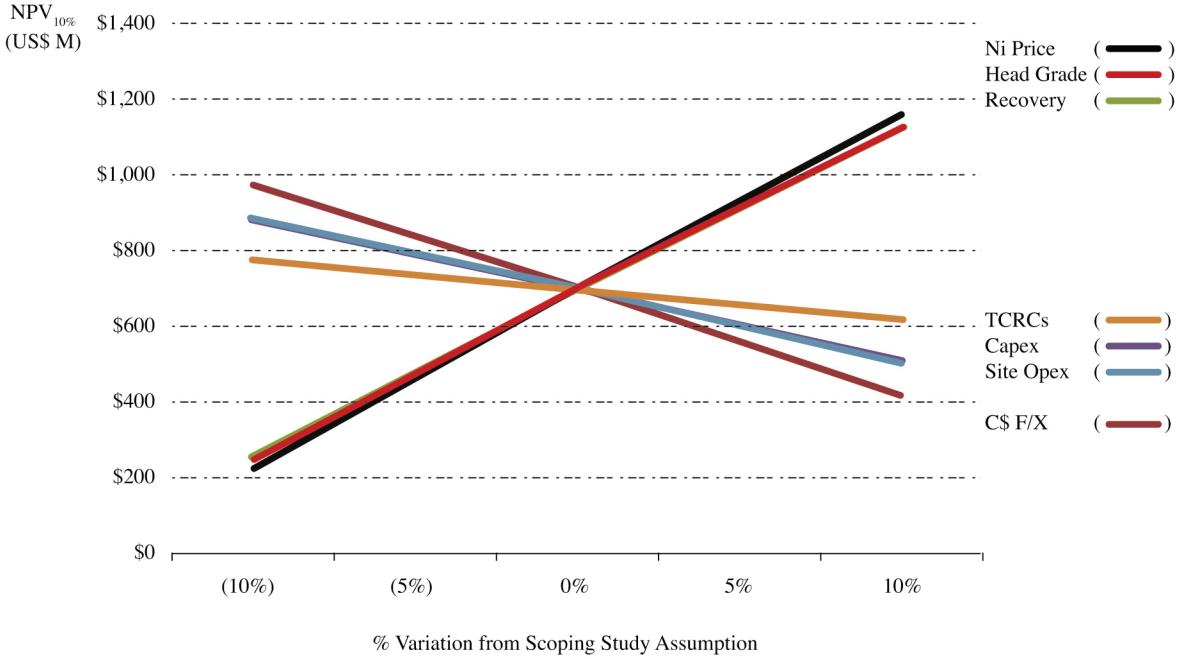


Figure 13
Sensitivity of NPV — 100,000 tpd Case



Exploration and Development

Following upon the results of the Technical Report, Royal Nickel plans to continue to develop the Dumont Nickel Project in 2011 with the goal of refining the deposit model and collecting geotechnical and environmental data, and completing metallurgical testwork to support the completion of a Preliminary Feasibility Study. Based on the results of the Preliminary Feasibility Study, further exploration, geotechnical and metallurgical work will be initiated later in 2011 and continue into 2012 to support a Feasibility Study. The objectives of the work to be completed in 2011 are as follows:

- outline additional resources that may occur inside the currently proposed pit shell;
- increase drilling density in high value portions of the deposit that are currently in the indicated category;
- continue to refine the geometallurgical model of the Dumont Nickel Project deposit based on drilling, geochemistry, mineralogy and metallurgical testing completed to date;
- collect geotechnical data on rock mechanics and overburden properties in order to refine models of pit wall slopes and to select locations for surface infrastructure;
- continue to characterize the environmental behaviour of tailings and waste rock;
- engage stakeholders in consultation;
- characterize local hydrological and hydrogeological regimes;
- continue to operate a pilot plant based on the standard test procedure developed by Royal Nickel for the Dumont Nickel Project mineralization to demonstrate the commercial viability of the process;

- complete a Preliminary Feasibility Study based on the geometallurgical model and metallurgical process development results to optimize parameters for a Feasibility Study; and

- initiate additional exploration and metallurgical work to support a Feasibility Study as indicated by the Preliminary Feasibility Study.

The total expenditure for the 2011 exploration and drilling program, further metallurgical and other studies to complete the Preliminary Feasibility Study and to initiate data collection for the Feasibility Study is estimated to be approximately $29 million. See Table 8 for the preliminary proposed exploration budget for 2011 and the estimated 2012 expenditure to complete the Feasibility Study on the Dumont Nickel Project as set out in the Technical Report. The estimated 2012 expenditure will be based on the results and conclusions contained in the Preliminary Feasibility Study. The 2012 expenditure, if conducted, is estimated to be $30.7 million.

In February 2010, Royal Nickel commissioned Minerals Associates Inc. to design and construct a continuous mini pilot plant ("**MPP**") on the Barmac Option at a throughput of 20-50 kg per hour. This plant was completed in July 2010 and testing of samples commenced in August 2010. The MPP testwork is being performed to confirm the laboratory metallurgical performance (recoveries, concentrate grades and reagent dosages) for the various mineralization types and to optimize the flowsheet designs and is included in the budget for 2011.

Flowsheet optimization work will further investigate both sulphide and magnetic cleaning circuits (concentrate grade and recovery), and optimize reagent and energy costs. A trade-off study to evaluate alternative primary grinding options will also be completed.

Table 8
Proposed Budget for Work in 2011 and 2012

Category	Cost ($)
Preliminary Feasibility Study	
Resource Definition Drilling and Assays	2,900,000
Resource Modelling/Geometallurgy	280,000
Geotechnical Drilling and Analysis	1,450,000
Metallurgical Sampling	760,000
Metallurgical Testwork and Process Design	3,600,000
Tailings/Waste Characterization	300,000
Hydrology/Hydrogeology	300,000
Surface Rights Acquisition	150,000
Public Consultation/Community Relations	500,000
Preliminary Feasibility Study	3,400,000
Total Preliminary Feasibility Study	**13,640,000**
Feasibility Study (2011 portion)	
Resource Drilling and Assays	4,900,000
Metallurgical Sampling	1,700,000
Geotechnical	700,000
Hydrogeology / Hydrology	400,000
Metallurgical Testwork	5,100,000
Sub-total Feasibility Study (2011 portion)	**12,800,000**
Exploration Salaries	2,200,000
Exploration Administration	360,000
Total 2011 Program	**29,000,000**

Feasibility Study (2012 portion)	
Exploration (Drilling, Environment, Geotechnical)	14,400,000
Metallurgical Testwork	13,300,000
Exploration Salaries	2,500,000
Exploration Administration	500,000
Total 2012 Program	**30,700,000**

Micon has reviewed Royal Nickel's proposal for further exploration and studies on its Dumont Nickel Project and considers the budget for the proposed program to be reasonable. Micon has recommended that Royal Nickel implement the program as proposed, subject to either funding and other matters which may cause the proposed program to be altered in the normal course, including Royal Nickel's business activities or as a result of exploration activities.

DIVIDEND RECORD AND POLICY

Royal Nickel has not, since the date of its incorporation, declared or paid any dividends on its Common Shares. For the foreseeable future, Royal Nickel anticipates that it will retain future earnings and other cash resources for the operation and development of its business. The payment of dividends in the future will depend on Royal Nickel's earnings, if any, and financial condition and such other factors as the directors of Royal Nickel consider appropriate.

CAPITAL STRUCTURE

General Description of Share Capital

Common Shares

Royal Nickel is authorized to issue an unlimited number of Common Shares without par value. At the date of this AIF, 88,606,203 Common Shares of Royal Nickel were issued and outstanding as fully paid and non-assessable.

The holders of Common Shares are entitled to receive notice of and to attend and vote at all meetings of shareholders of the Company, except meetings of holders of another class of shares, and at all such meetings shall be entitled to one vote for each Common Share held. Subject to the preferences accorded to holders of any other shares of the Company ranking senior to the Common Shares with respect to the payment of dividends, holders of Common Shares are entitled to receive, if and when declared by the Board, such dividends as may be declared thereon by the Board on a pro rata basis. In the event of the voluntary or involuntary liquidation, dissolution or winding-up of the Company, or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs (a "**Distribution**"), holders of Common Shares are entitled, subject to the preferences accorded to the holders of any other shares of the Company ranking senior to the Common Shares, to a pro rata share of the remaining property of the Company. The Common Shares carry no pre-emptive, conversion, redemption or retraction rights. The Common Shares carry no other special rights and restrictions other than as described in this AIF.

Special Shares

Royal Nickel is authorized to issue an unlimited number of special shares ("**Special Shares**") without par value. As of the date of this AIF, no Special Shares of Royal Nickel have been issued.

The Special Shares will be issuable at any time and from time to time in one or more series. The Board will be authorized to fix before issue the number of, the consideration per share of, the designation of, and the rights, privileges, restrictions and conditions attaching to, the Special Shares of each series, which may include voting rights, the whole subject to the issue of a certificate of amendment setting forth the designation of, and the rights, privileges, restrictions and conditions attaching to, shares of the series. The Special Shares of each series will rank

on a parity with the Special Shares of every other series and will be entitled to preference over any other shares ranking junior to the Special Shares with respect to payment of dividends or a Distribution. If any cumulative dividends or amounts payable on a return of capital are not paid in full, the Special Shares of all series will participate rateably in respect of such dividends and return on capital.

Warrants

In connection with its IPO, Royal Nickel issued 11,212,500 Warrants pursuant to a warrant indenture dated December 16, 2010 (the "**Warrant Indenture**") between the Company and Computershare Trust Company of Canada (the "**Warrant Agent**"). Each Warrant is exercisable by the holder thereof to acquire on Common Share at an exercise price of $3.00 at any time before 5:00 p.m. (Toronto time) on December 15, 2012, after which time the Warrants will expire and become null and void.

The following summary of certain provisions of the Warrant Indenture does not purport to be complete and is qualified in its entirety by reference to the provisions of the Warrant Indenture available on SEDAR.

The Warrant Indenture provides for adjustment in the exercise price and number of Common Shares issuable upon the exercise of the Warrants upon the occurrence of certain events, including the issuance of Common Shares or securities exchangeable or convertible into Common Shares as a stock dividend, the subdivision, redivision, reduction, combination or consolidation of the Common Shares, the issuance of rights, options or warrants to substantially all of the holders of Common Shares that entitle them to subscribe for Common Shares and the merger, sale or conveyance of all or substantially all of the assets of the Company, other than to one of its subsidiaries.

The Warrant Indenture also provides for adjustment in the class and/or number of Warrant Shares issuable upon the exercise of the Warrants and/or exercise price per security in the event of the following additional events: (i) reclassifications of the Common Shares; or (ii) consolidations, amalgamations, plans of arrangement or mergers of the Company with or into another entity (other than consolidations, amalgamations, plans of arrangement or mergers which do not result in any reclassification of the Common Shares or a change of the Common Shares into other shares).

No adjustment in the exercise price or the number of Common Shares issuable upon the exercise of the Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would change the exercise price by at least 1% or the number of Common Shares purchasable upon exercise by at least one one-hundredth of a Common Share.

The Company covenants in the Warrant Indenture that, during the period in which the Warrants are exercisable, it will give notice to holders of the Warrants of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Common Shares issuable upon exercise of the Warrants, at least 14 days prior to the record date or effective date, as the case may be, of such event.

No fractional Common Shares will be issuable upon the exercise of any Warrants, and no cash or other consideration will be paid in lieu of fractional shares. Holders of Warrants will not, by virtue of holding such warrants, have any voting or pre-emptive rights or any other rights which a holder of Common Shares would have.

From time to time, the Company and the Warrant Agent, without the consent of the holders of Warrants, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of Warrants may only be made by "extraordinary resolution", defined in the Warrant Indenture as a resolution which is either (i) presented at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 10% of the aggregate number of the then outstanding Warrants and then passed by the affirmative vote of holders of Warrants representing not less than 66⅔% of the votes cast on such resolution, or (ii) signed by the holders of Warrants representing not less than 66⅔% of the aggregate number of the then outstanding Warrants.

SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

Class of Securities	Number of Securities Subject to Contractual Restriction on Transfer	Percentage of Class
Common Shares	47,356,764[(1),(2)]	53.4 %

(1) These Common Shares are subject to lock-up agreements entered into between certain shareholders of the Company and the Underwriters. Except as set out in note (2) below, the lock-up agreements expire on the date that is six months from the date the Common Shares were listed for trading on the TSX (the "**Listing Date**").

(2) 6,620,683 of these Common Shares are subject to lock-up agreements entered into between the Underwriters and the directors and officers of the Company as of the date of the IPO Prospectus. The lock-up agreements expire on the date that is 12 months from the Listing Date.

MARKET FOR SECURITIES

The Common Shares and Warrants are listed and posted for trading on the TSX under the symbol "RNX" and "RNX.WT", respectively. The following table sets forth the price range (high and low) of the Common Shares and Warrants and volumes traded on the TSX for the periods indicated:

	Common Shares			Warrants		
	High	Low	Volume	High	Low	Volume
2010						
December[(1)]	$2.69	$1.80	5,474,322	$0.95	$0.25	711,416

(1) The Common Shares and Warrants were listed and posted for trading on the TSX on December 16, 2010.

DIRECTORS AND OFFICERS

Directors and Officers

The following table sets forth information regarding the Company's directors and officers. All directors are appointed for a one year term and directors are re-elected annually at the general meeting of the Company's shareholders.

Name and Municipality of Residence and Date first became a Director/Officer	Position with the Company	Principal Occupation(s)
DIRECTORS		
Peter Goudie[(1)(2)] Seaforth, NSW, Australia July 17, 2008	Director	Corporate Director
A. Thomas Griffis[(4)] Toronto, Ontario December 13, 2006	Director	President, Griffis International Limited Chairman, Royal Coal Corporation
Scott M. Hand[(3)] Toronto, Ontario June 27, 2008	Executive Chairman and Director	Corporate Director
Peter C. Jones[(1)(3)(4)] Oakville, Ontario November 17, 2008	Director	Corporate Director
Frank Marzoli[(3)(4)] Cornwall, Ontario May 11, 2007	Director	President, CEO and Chairman, Marbaw
Gilles Masson[(1)(2)] Laval, Quebec August 15, 2007	Director	Corporate Director
Tyler Mitchelson Oakville, Ontario September 17, 2009	President, Chief Executive Officer and Director	President and Chief Executive Officer of Royal Nickel
Darryl Sittler[(2)(4)] Toronto, Ontario May 11, 2007	Director	Self-Employed businessman and consultant to Toronto Maple Leafs Hockey Club in areas of community relations and marketing
OFFICERS		
Alger St. Jean Sudbury, Ontario April 30, 2007	Vice President, Exploration	Vice President, Exploration, Royal Nickel

Name and Municipality of Residence and Date first became a Director/Officer	Position with the Company	Principal Occupation(s)
Mark Selby Toronto, Ontario September 30, 2010	Senior Vice President, Business Development	Senior Vice President Business Development, Royal Nickel
Fraser Sinclair Oakville, Ontario October 18, 2010	Chief Financial Officer and Corporate Secretary	Chief Financial Officer and Corporate Secretary of Royal Nickel

(1) Member of the audit committee of the Company (the "**Audit Committee**").

(2) Member of the compensation committee of the Company (the "**Compensation Committee**").

(3) Member of the corporate governance and nominating committee of the Company (the "**Corporate Governance and Nominating Committee**").

(4) Member of the health, safety and environment committee of the Company (the "**HS&E Committee**").

As of March 24, 2011, the directors and executive officers of the Company collectively beneficially own, directly or indirectly, or exercise control and direction over 7,405,683 Common Shares representing, in the aggregate 8.4% of the issued and outstanding Common Shares.

Biographies

Biographical information for each member of Royal Nickel's management is set forth below.

Peter Goudie — Director

Mr. Goudie was Executive Vice President (Marketing) of Inco and then Vale from January 1997 to February 2008. Mr. Goudie was also responsible for the strategy, negotiation, construction and operation of Inco's joint venture production projects in Asia. He has been employed with Inco since 1970 in increasingly more senior Accounting and Financial roles in Australia, Indonesia, Singapore and Hong Kong, before becoming Managing Director (later President and Managing Director) of Inco Pacific Ltd. in Hong Kong in 1988. He is an Australian CPA.

A. Thomas Griffis — Deputy Chairman and Director

Mr. Griffis is a retired Lieutenant Colonel in the Canadian Air Force and former Commanding Officer of the Snowbirds aerobatic squadron. Mr. Griffis is also one of the founders of Royal Nickel and Co-Chairman and Chief Executive Officer of Juno Special Situations Corporation. Mr. Griffis is the founder and President of Griffis International Limited, a private investment and corporate management firm based in Toronto, Ontario (1985 - present). Griffis International Limited has focused the majority of its activities on emerging market companies requiring early to mid-stage financing and corporate management. Mr. Griffis is Chairman of Royal Coal Corporation.

Scott M. Hand — Executive Chairman and Director

Mr. Hand has been Executive Chairman of the Company since November 2009. He was elected to the Board in 2008. Mr. Hand was the Chairman and Chief Executive Officer of Inco from April 2002 until he retired from Inco in January 2007. Prior to that, Mr. Hand was President of Inco and held positions in Strategic Planning, Business Development and Law. Mr. Hand also serves on the boards of Manulife Financial Corporation, Fronteer Gold Inc., Royal Coal Corporation, the World Wildlife Fund Canada and Juno Special Situations Corporation, where he is also Co-Chairman. Mr. Hand received a Bachelor of Arts from Hamilton College and a Juris Doctorate from Cornell University.

Peter C. Jones (P.Eng) — Director

Mr. Jones has over 40 years of international mining experience. He is a director of a number of companies including IAMGOLD Corporation, Red Crescent Resources Limited and Century Aluminum Company. Prior to 2007 he was President, Chief Operating Officer and a director of Inco, and before that President and Chief Executive Officer of Hudson Bay Mining and Smelting Co. Ltd.

Frank Marzoli — Director

Mr. Marzoli has been the President, Chief Executive Officer and sole director of Marzcorp Oil & Gas Inc. since July 4, 2008. Mr. Marzoli has also been the President of Marbaw International Nickel Corporation since December 20, 2006. Marbaw held a 100% interest in the Marbaw Claims which were sold to Royal Nickel in February 2007. Mr. Marzoli has been a director of Royal Nickel since February 2007. In 1971, Mr. Marzoli joined the import business specializing in Asian countries. In 2004, Mr. Marzoli left the import business to pursue the resource sector full time.

Gilles Masson — Director

Mr. Masson worked for PricewaterhouseCoopers LLP from June 1969 until December 2005 when he retired as a partner in the auditing department. Over the course of his 36 year career, his clientele consisted of large national and international corporations operating in diverse fields. He has vast experience in the auditing of public corporations as well as in-depth knowledge of GAAP. His knowledge and experience also extend to regulations applicable to the presentation of financial information by public corporations. Mr. Masson has been a director of Semafo Inc. since January 2006. Since November 2009, he has also been a director of Malaga Inc. In October 2005, he was awarded the title of certified director by the Institute of Corporate Directors after having completed the required training program. He obtained a Bachelor in Commerce in 1969 and a diploma in General Accounting in 1971 from the École des hautes études commerciales de Montréal. He has been a member of the Ordre des comptables agréés due Québec since 1972.

Tyler Mitchelson, B. Comm (Hons), CA — President, Chief Executive Officer and Director

Mr. Mitchelson has been the President and Chief Executive Officer of the Company since October 13, 2009. Mr. Mitchelson was previously Vice President, Strategy, Business Planning and Brownfield Exploration with Vale. From 1995 to 2006, he worked for Inco in various financial and planning roles in the operations in Thompson, Manitoba, Sorowako, Indonesia and Sudbury, Ontario. Mr. Mitchelson earned his Chartered Accountant designation while working for PricewaterhouseCoopers LLP (formerly Price Waterhouse) from 1991 to 1995. He is a member of the Institute of Chartered Accountants of Ontario and holds a Bachelor of Commerce (honours) degree from the University of Manitoba.

Darryl Sittler — Director

Mr. Sittler is a former National Hockey League player and a 1989 inductee to the Hockey Hall of Fame. Mr. Sittler is a self-employed business person in the areas of public relations, community relations and team building. Mr. Sittler is an Ambassador of Maple Leaf Sports and Entertainment and a director of Wallbridge Mining Company Limited and Miocene Metals Ltd. Mr. Sittler is a certified director by the Institute of Corporate Directors.

Alger St-Jean, P. Geo, M.Sc., B.Sc. — Vice President, Exploration

Mr. St-Jean is the Vice President Exploration of the Company, a position held since April 2007. Prior to joining Royal Nickel, Mr. St-Jean was Senior Geologist for Xstrata Nickel (previously Falconbridge Limited) and was responsible for the management, design and implementation of nickel exploration programs at Falconbridge Limited. Mr. St-Jean is a Professional Geologist registered with the Association of Professional Geologists of Ontario and holds a Master of Science degree from McGill University and a Bachelor of Science degree from St. Francis Xavier University.

Mark Selby, B. Comm (Hons) — Senior Vice President, Business Development

Mr. Selby is the Senior Vice President, Business Development of the Company. Mr. Selby was recently Vice President Business Planning & Market Research with Quadra Mining Inc. Prior to joining Quadra in 2008, Mr. Selby founded Selby & Co. in 2006 to provide consulting advice to mining companies, private equity and hedge fund clients on commodities and business issues. From 2001 until 2007, Mr. Selby held a series of senior roles with Inco culminating with his role as Assistant Vice President Strategic Planning and Corporate Development. Before joining Inco, he was a partner at Mercer Management Consulting from 1994 until 2001 where he consulted to clients in the transportation and resource sectors. Mr. Selby graduated from Queen's University with a Bachelor of Commerce (Honours). Mr. Selby is also a director of Kiska Metals and Pembroke Capital Corp.

Fraser Sinclair, B. Comm, CA, CA(SA) — Chief Financial Officer and Corporate Secretary

Mr. Sinclair is the Chief Financial Officer and Corporate Secretary of the Company. Mr. Sinclair was Senior Vice President and Chief Financial Officer of Romarco Minerals Inc. (2009 - 2010). Prior thereto he was Vice President Finance and Chief Financial Officer of North American Palladium Ltd (2007 - 2009). Prior to his work at North American Palladium Ltd., Mr. Sinclair ran his own independent consulting practice providing senior level financial and business advisory services (2004 - 2007). Mr. Sinclair is a Chartered Accountant and earned his designation with Arthur Young & Company (now Ernst & Young LLP). Mr. Sinclair is a member of the Institute of Chartered Accountants of Ontario and the South African Institute of Chartered Accountants and holds a Bachelor of Commerce degree from the University of Witwatersrand in South Africa.

Corporate Cease Trade Orders and Bankruptcies

Except as disclosed below, none of the directors or officers of Royal Nickel, or to the best of the Company's knowledge, any shareholder holding sufficient securities of the Company to materially affect the control of the Company, is, or has been within the 10 years before the date of this AIF, a director or officer of any other company that, while such person was acting in that capacity, was the subject of a cease trade or similar order, or an order that denied the company access to any statutory exemptions under Canadian securities legislation, for a period of more than 30 consecutive days, or was declared bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangements or compromises with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that company.

- A. Thomas Griffis was previously a director of Cogient Corp. On August 10, 2006, an interim cease trade order was issued for Cogient Corp., which was extended to a permanent cease trade order on August 22, 2006. On December 8, 2006, a court appointed receiver was appointed for Cogient Corp.; and

- Darryl Sittler was previously a director of Randsburg International Gold Corp. On August 9, 2006, a cease trade order was issued for Randsburg International Gold Corp. for failure to file a technical report in the required form. The cease trade order was revoked on April 25, 2007.

Penalties and Sanctions

None of the directors or officers of Royal Nickel, or to the best of the Company's knowledge, any shareholder holding sufficient securities of the Company to materially affect the control of the Company, has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

None of the directors or officers of Royal Nickel, or to the best of the Company's knowledge, any shareholder holding sufficient securities of the Company to materially affect the control of the Company, has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangements or compromises with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

Conflicts of Interest

The directors of the Company are required by law to act honestly and in good faith with a view to the best interest of the Company and to disclose any interests which they may have in any project or opportunity of the Company. However, the Company's directors and officers may serve on the boards and/or as officers of other companies which may compete in the same industry as the Company, giving rise to potential conflicts of interest. To the extent that such other companies may participate in ventures in which the Company may participate or enter into contracts with the Company, they may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that a conflict of interest arises at a meeting of the directors of the Company, such conflict of interest must be declared and the declaring parties must abstain from participating and voting for or against the approval of any project or opportunity in which they may have an interest. Provided such steps are followed and subject to any limitations in the Company's constating documents, a transaction would not be void or voidable because it was made between the Company and one or more of its directors or by reason of such director being present at the meeting at which such agreement or transaction was approved. The remaining directors will determine whether or not the Company will participate in any such project or opportunity.

To the best of the Company's knowledge, other than as set forth in this AIF, there are no known existing or potential conflicts of interest among the Company, directors, officers or other members of management of the Company as a result of their outside business interests.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest, and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers.

AUDIT COMMITTEE INFORMATION

The primary function of the audit committee of the Board (the "**Audit Committee**") is to assist the Board in fulfilling its financial reporting and controls responsibilities to the shareholders of the Company. In accordance with NI 52-110, information with respect to the Company's audit committee is contained below.

Audit Committee Charter

A copy of the Audit Committee Charter is attached hereto as Appendix A.

Composition of Audit Committee

The Audit Committee is composed of Gilles Masson (Chairman), Peter Goudie and Peter Jones, all of whom are "independent" directors and financially literate within the meaning of NI 52-110.

Relevant Education and Experience

For details regarding the relevant education and experience of each member of the Audit Committee relevant to the performance of his duties as a member of the Audit Committee, see "Directors and Officers".

Pre-Approval Policies and Procedures

The Audit Committee has adopted policies and procedures for the pre-approval of non-audit services to be provided by the Company's independent auditors. As a general policy, all services provided by the independent auditors must be pre-approved by the Audit Committee. Unless a service has received general pre-approval from the Audit Committee, it will require specific pre-approval by the Audit Committee. Services cannot be pre-approved more than 12 months in advance. The Audit Committee will conduct a review of, and pre-approve, at least annually, general pre-approved services (including fee thresholds). Other than certain tax services, the Audit Committee has not pre-approved any non-audit related services. All requests for general or specific pre-approval must be submitted to the Audit Committee by both the Chief Financial Officer and the independent auditor.

External Audit Fees

The fees paid to the Company's external auditors in each of the last two fiscal years for audit fees are as follows:

Financial Year Ending	Audit Fees	Audit Related Fees[1]	Tax Fees[2]	All Other Fees[3]
2010	$109,707	$129,252	$44,258	$277,377
2009	$101,853	$34,972	$33,831	$—

(1) Fees charged for review of interim financial statements

(2) Fees charged for preparation of income tax and mining duties returns

(3) Fees for services related to the IPO.

RISK FACTORS

Overview

The Company's business consists of the exploration and development of mineral properties and is subject to certain risks. The risks described below are not the only risks facing the Company and other risks now unknown to the Company may arise or risks now thought to be immaterial may become material. No guarantee is provided that other factors will not affect the Company in the future. Many of these risks are beyond the control of the Company.

Overview of Exploration, Development and Operating Risk

The Company is engaged in mineral exploration and development. Mineral exploration and development is highly speculative in nature, involves many risks and is frequently not economically successful. Increasing mineral resources or reserves depends on a number of factors including, among others, the quality of a company's management and their geological and technical expertise and the quality of land available for exploration. Once mineralization is discovered it may take several years of additional exploration and development until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling or drifting to determine the optimal metallurgical process and to finance and construct mining and processing facilities. At each stage of exploration, development, construction and mine operation, various permits and authorizations are required. Applications for many permits require significant amounts of management time and the expenditure of substantial capital for engineering, legal, environmental, social and other activities. At each stage of a project's life, delays may be encountered because of permitting difficulties. Such delays add to the overall cost of a project and may reduce its economic feasibility. As a result of these uncertainties, there can be no assurance that a mineral exploration and development company's programs will result in profitable commercial production. As of the date of this AIF, the Dumont Nickel Project has no established reserves. There is no assurance that any of the projects can be mined profitably. Accordingly, it is not assured that the Company will realize any profits in the short to medium term, if at all. Any profitability in the future from the business of the Company will be dependent upon developing and commercially mining an economic deposit of minerals.

Companies engaged in mining activities are subject to all of the hazards and risks inherent in exploring for and developing natural resource projects. These risks and uncertainties include, but are not limited to, environmental

hazards, industrial accidents, labour disputes, social unrest, encountering unusual or unexpected geological formations or other geological or grade problems, unanticipated metallurgical characteristics or less than expected mineral recovery, encountering unanticipated ground or water conditions, cave-ins, pit wall failures, flooding, rock bursts, periodic interruptions due to inclement or hazardous weather conditions and other acts of God or unfavourable operating conditions and losses. Should any of these risks or hazards affect the Company's exploration, development or mining activities it may: cause the cost of exploration, development or production to increase to a point where it would no longer be economic to produce metal from the company's mineral resources or expected reserves; result in a write down or write-off of the carrying value of one or more mineral projects; cause delays or stoppage of mining or processing; result in the destruction of mineral properties, processing facilities or third party facilities necessary to the company's operations; cause personal injury or death and related legal liability; or result in the loss of insurance coverage — any or all of which could have a material adverse effect on the financial condition, results of operations or cash flows of the Company.

Project Delay

The Company has targeted the following key milestones to achieve development of the Dumont Nickel Project (i) complete the first run pilot plant (20 kg/hr) testing by second quarter 2011; (ii) complete a Preliminary Feasibility Study late third quarter or early fourth quarter 2011; (iii) place long lead orders by mid 2012 or earlier; (iv) complete a Feasibility Study by late 2012; (v) receive permits by mid 2013; (vi) start construction by mid 2013; and (vii) commence project commissioning and ramp-up in 2015. However, there are significant risks that the exploration, development and completion of construction of a mine on the Dumont Nickel Project could be delayed due to circumstances beyond the Company's control. Additionally, the Company will need to obtain further debt or equity financing from external sources in order to fund the balance of the exploration and development of the Dumont Nickel Project, conduct exploration activities and fund other expenses. There is no assurance that the Company will be able to obtain debt or equity financing on favourable terms, or at all. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration, development, or production on any or all of the Company's properties, or even a loss of property interests.

Commercial Nickel Deposits

Royal Nickel's mineral property interests are in the exploration stage only and without a known body of proven or probable reserves. Development of its mineral property interests would follow only if favourable exploration results are obtained. The business of exploration for minerals and mining involves a high degree of risk. There is no certainty that any expenditure made in the exploration of Royal Nickel's properties will result in discoveries of commercially recoverable quantities of nickel. Such assurance will require completion of final comprehensive feasibility studies and, possibly, further associated exploration and other work that concludes a potential mine is likely to be economic. In order to carry out exploration and development programs of any economic nickel body and place it into commercial production, Royal Nickel will be required to raise substantial additional funding.

Funding Needs, Financing Risks and Dilution

Royal Nickel has no history of significant earnings and, due to the nature of its business, there can be no assurance that Royal Nickel will be profitable. Future exploration, development, mining, and processing of minerals from the Company's properties will require substantial additional financing. Royal Nickel has paid no dividends on the Common Shares since incorporation and does not anticipate doing so in the foreseeable future. The only current sources of funds available to the Company are the sale of additional equity capital and/or the borrowing of funds. There is no assurance that such funding will be available to the Company, that it will be obtained on terms favourable to the Company or that it will provide the Company with sufficient funds to meet its objectives, which may adversely affect the Company's business and financial position. Even if the results of exploration are encouraging, Royal Nickel may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercially mineable deposit exists on any of Royal Nickel's mineral properties. While Royal Nickel may generate additional working capital through further equity or debt offerings or through the sale or possible syndication of its mineral properties, there is no assurance that any such funds will be available. If available, future equity financing may result in substantial dilution to existing shareholders of Royal Nickel and reduce the value of their investment. Additionally, total capital costs for the exploration and development of the Dumont Nickel Project are expected to be in excess of $2 billion. Failure to obtain sufficient financing may result in

delaying or indefinite postponement of exploration, development, or production on any or all of the Company's properties, or even a loss of property interests.

Limited Operating History

The Company is an exploration stage company with no history of profitability, and a limited operating history in the mineral exploration and development business. The Company has no history of producing metals from its current mineral property. As a result, the Company is subject to all of the risks associated with establishing new mining operations and business enterprises including:

- the timing and cost, which can be considerable, of the construction of mining and processing facilities;
- the availability and costs of skilled labour and mining equipment;
- the availability and cost of appropriate smelting and/or refining arrangements;
- the need to obtain necessary environmental and other governmental approvals and permits, and the timing of those approvals and permits; and
- the availability of funds to finance construction and development activities.

It is common in new mining operations to experience unexpected problems and delays during construction, development and mine start-up. In addition, delays in the commencement of mineral production often occur. Accordingly, there are no assurances that the Company's activities will result in profitable mining operations or that the Company will successfully establish mining operations or profitably produce metals at any of its properties, or at all.

Drilling and Production Risks Could Adversely Affect the Mining Process

Once mineral deposits are discovered, it can take a number of years from the initial phases of drilling until production is possible, during which the economic feasibility of production may change. Substantial time and expenditures are required to:

- establish mineral reserves through drilling;
- determine appropriate mining and metallurgical processes for optimizing the recovery of nickel;
- obtain environmental and other licenses;
- construct mining, processing facilities and infrastructure required for greenfield properties; and
- obtain the nickel or extract the minerals from the nickel.

If a project proves not to be economically feasible by the time the Company is able to exploit it, the Company may incur substantial write-offs. In addition, potential changes or complications involving metallurgical and other technological processes arising during the life of a project may result in cost overruns that may render the project not economically feasible.

The Price of Nickel, Which is Actively Traded on World Commodity Exchanges, is Subject to Significant Volatility

The ability of the Company to develop the Dumont Nickel Project and the future profitability of the Company is directly related to the market price of nickel. Nickel is sold in an active global market and traded on commodity

exchanges, such as the LME and the New York Mercantile Exchange. Nickel prices are subject to significant fluctuations and are affected by many factors, including actual and expected macroeconomic and political conditions, levels of supply and demand, the availability and costs of substitutes, inventory levels, investments by commodity funds and other actions of participants in the commodity markets. Nickel prices have fluctuated widely, particularly in recent years. Consequently, the economic viability of any of Royal Nickel's exploration projects cannot be accurately predicted and may be adversely affected by fluctuations in nickel prices.

Increased Availability of Alternative Nickel Sources or Substitution of Nickel from End Use Applications Could Adversely Affect the Company's Nickel Business

Demand for primary nickel may be negatively affected by the direct substitution of primary nickel with other materials in current applications. In response to high nickel prices or other factors, producers and consumers of stainless steel may partially shift from stainless steel with high nickel content to stainless steels with either lower nickel content or no nickel content, which would adversely affect demand for nickel.

Limited Mining Properties and Acquisition of Additional Commercially Mineable Mineral Rights

The Dumont Nickel Project accounts for all of the Company's mineral resources and the potential for the future generation of revenue. Any adverse development affecting the progress of the Dumont Nickel Project such as, but not limited to, obtaining financing on commercially suitable terms, hiring suitable personnel and mining contractors or securing supply agreements on commercially suitable terms, may have a material adverse effect of the Company's financial performance and results of operations.

Reliability of Resource Estimates

There is no certainty that any of the mineral resources described in the Technical Report will be realized. Until a deposit is actually mined and processed, the quantity of mineral resources and grades must be considered as estimates only. In addition, the quantity of mineral resources may vary depending on, among other things, metal prices. Any material change in quantity of mineral resources, grade or stripping ratio may affect the economic viability of any project undertaken by the Company. In addition, there can be no assurance that nickel recoveries or other metal recoveries in small scale laboratory tests will be duplicated in a larger scale test under on-site conditions or during production.

Fluctuations in nickel and other base or precious metals prices, results of drilling, metallurgical testing and production and the evaluation of studies, reports and plans subsequent to the date of any estimate may require revision of such estimate. Any material reductions in estimates of mineral resources could have a material adverse effect on the Company's results of operations and financial condition.

Mining Involves a High Degree of Risk

Mining operations involve a high degree of risk. The Company's operations will be subject to all the hazards and risks normally encountered in the exploration, development and production of base or precious metals, including, without limitation, environmental hazards, unusual and unexpected geologic formations, seismic activity, rock bursts, pit-wall failures, cave-ins, flooding, fires, hazardous weather conditions and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and legal liability. The Company's exploration, development and production operations may be further hampered by additional hazards, including, without limitation, equipment failure and failure of retaining dams around tailings disposal areas, which may result in environmental pollution and legal liability.

Uninsurable Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not

to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate the funds available for acquisition of mineral prospects or exploration, increase costs to the company, reduce future profitability, if any, and/or lead to a decline in the value of the Common Shares.

Environmental and Safety Regulations and Risks

Environmental laws and regulations may affect the operations of the Company. These laws and regulations set various standards regulating certain aspects of health and environmental quality, including air and water quality, mine reclamation, solid and hazardous waste handling and disposal and the promotion of occupational health and safety. These laws provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted. The permission to operate can be withdrawn temporarily where there is evidence of serious breaches of health and safety standards, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on Royal Nickel for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or noncompliance with environmental laws or regulations. To the extent that the Company becomes subject to environmental liabilities, the satisfaction of any such liabilities would reduce funds otherwise available to the Company and could have a material adverse effect on the Company. The Company intends to minimize risks by taking steps to ensure compliance with environmental, health and safety laws and regulations and operating to applicable environmental standards. There is a risk that environmental laws and regulations may become more onerous, making the Company's operations more expensive.

Mineral Titles

Although Royal Nickel has obtained a title opinion for the Dumont Nickel Project, there is no guarantee that title to such mineral property interests will not be challenged or impugned and no assurances can be given that there are no title defects affecting its mineral properties. Royal Nickel's mineral property interests may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. The Company has not conducted surveys of the claims in which it holds direct or indirect interests; therefore, the precise area and location of such items may be in doubt. There may be valid challenges to the title of the mineral property interests which, if successful, could impair the exploration, development and/or operations of the Dumont Nickel Project.

Permitting Risks

The Company has yet to apply for various permits and related authorizations to exploit, develop and operate the Dumont Nickel Project. The process of permitting will involve the filing of a number of studies and applications with federal and provincial authorities relating to, amongst other things, the construction and operation of a plant and related facilities, a water pipeline and a power line. While the Company is not aware of any major impediments at this time, it is still in preliminary stages of the permitting process and there can be no assurance that all of the necessary permits and approvals will be forthcoming.

Land Reclamation

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

First Nations

Royal Nickel is committed to working in partnership with our local communities and First Nations in a manner which fosters active participation and mutual respect. The Company regularly consults with communities proximal to the Company's exploration activities to advise them of plans and answer any questions they may have about

current and future activities. However, First Nations in Quebec are increasingly making lands and rights claims in respect of existing and prospective resource projects on lands asserted to be First Nation traditional or treaty lands. Should a First Nation make such a claim in respect of the Dumont Nickel Project and should such claim be resolved by government or the courts in favour of the First Nation, it could materially adversely affect the business of Royal Nickel.

Competition

The mining industry is intensely competitive in all its phases. There is a high degree of competition for the discovery and acquisition of properties considered to have commercial potential. Royal Nickel competes for the acquisition of mineral properties, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees with many companies possessing greater financial resources and technical facilities than Royal Nickel. The competition in the mineral exploration and development business could have an adverse effect on Royal Nickel's ability to acquire suitable properties or prospects for mineral exploration in the future.

Management

The Company's prospects depend in part on the ability of its executive officers and senior management to operate effectively, both independently and as a group. Investors must be willing to rely to a significant extent on management's discretion and judgment. The success of Royal Nickel depends to a large extent upon its ability to retain the services of its senior management and key personnel. The loss of the services of any of these persons could have a materially adverse effect on Royal Nickel's business and prospects. There is no assurance Royal Nickel can maintain the services of its directors, officers or other qualified personnel required to operate its business.

Government Regulations

Exploration and development activities and mining operations are subject to laws and regulations governing health and worker safety, employment standards, environmental matters, mine development, prospecting, mineral production, exports, taxes, labour standards, reclamation obligations and other matters. It is possible that future changes in applicable laws, regulations, agreements or changes in their enforcement or regulatory interpretation could result in changes in legal requirements or in the terms of permits and agreements applicable to the Company or its properties which could have a material adverse impact on the Company's current exploration program and future development projects. Where required, obtaining necessary permits and licences can be a complex, time consuming process and there can be no assurance that required permits will be obtainable on acceptable terms, in a timely manner, or at all. The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Company from proceeding with the development of an exploration project or the operation or further development of a mine.

Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing interruption or closure of exploration, development or mining operations or material fines and penalties, including, but not limited to, corrective measures requiring capital expenditures, installation of additional equipment, remedial actions or other liabilities. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

In addition, amendments to current laws and regulations governing operations or more stringent implementation thereof could have a substantial adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Conflicts of Interest

Certain of the directors and officers of Royal Nickel may also serve as directors and/or officers of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict.

Flow-Through Share Tax Issues

The Company has agreed to incur, in respect of the portion of the Flow-Through Units that are Common Shares designated as "flow-through shares"(the "**Flow-Through Shares**") under the *Income Tax Act* (Canada) (the "**Tax Act**"), Canadian exploration expense ("**CEE**") in an amount equal to the gross proceeds raised under the Company's IPO of Flow-Through Shares and to renounce CEE to purchasers of Flow-Through Shares in accordance with the Tax Act. No assurance can be given that the expenditures actually made will be in the amount or of the type which the Company intends to incur, that the expenditures will be of the type which entitles the holders of the Flow-Through Shares to obtain a deduction or that the Minister of National Revenue will agree with the Company's characterization of the expenditures. A change in the characterization of the expenditures may affect the Company's ability to renounce CEE to the holders of Flow-Through Shares or the holders' ability to claim tax deductions.

Currency Fluctuations

The operations of the Company will be subject to currency fluctuations and such fluctuations may materially affect the financial position and results of the Company. The Company is subject to the risks associated with the fluctuation of the rate of exchange of the Canadian dollar and the United States dollar. The Company does not currently take any steps to hedge against currency fluctuations although it may elect to hedge against the risk of currency fluctuations in the future. There can be no assurance that steps taken by the Company to address such currency fluctuations will eliminate all adverse effects of currency fluctuations and, accordingly, the Company may suffer losses due to adverse foreign currency fluctuations.

Dividend History or Policy

No dividends on the Common Shares have been paid by Royal Nickel to date. Royal Nickel anticipates that for the foreseeable future it will retain future earnings and other cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of the Royal Nickel's Board after taking into account many factors, including Royal Nickel's operating results, financial condition and current and anticipated cash needs.

Independent Contractors

Royal Nickel's success also depends, to a significant extent, on the performance and continued service of independent contractors. Royal Nickel will contract the services of professional drillers and others for exploration, environmental, construction and engineering services. Poor performance by such contractors or the loss of such services could have a material and adverse effect on Royal Nickel and its business and results of operations and could result in failure to meet business objectives.

Risks Relating to Common Shares

Liquidity of Common Shares

At present, the Dumont Nickel Project is in the exploration stage and no mineral reserves have been discovered. There can be no assurance that a known body of commercial nickel will be discovered.

The Company's ability to put the Dumont Nickel Project into commercial production will be dependent upon the results of further drilling, evaluation and the ability to obtain financing. If the Company is unable to put the Dumont

Nickel Project into commercial production, any investment in the Company may be lost. In such event, the probability of resale of the Common Shares would be diminished.

The Company's Shares May Experience Price Volatility

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Factors unrelated to the financial performance or prospects of the Company include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. The Company's Common Share price, financial condition and results of operations are all also likely to be significantly affected by short-term changes in the nickel market. There can be no assurance that continual fluctuations in metal prices will not occur. As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the Company's long-term value.

"Market overhang" Could Adversely Affect the Market Price of the Common Shares

In connection with the Company's IPO, the Underwriters entered into lock-up agreements with certain shareholders. As of the date hereof an aggregate of 40,736,081 Common Shares are subject to lock-up agreements that expire on the date that is six months from the Listing Date and an aggregate of 6,620,683 Common Shares, held by directors and officers of the Company, are subject to lock-up agreements that expire on the date that is 12 months from the Listing Date. The potential that such shareholders may sell their Common Shares (commonly referred to as "market overhang"), as well as any actual sales of such Common Shares, could adversely affect the market price of the Common Shares.

LEGAL PROCEEDINGS

Royal Nickel is not a party to any legal proceedings material to it, or of which any of its property is the subject matter, and no such proceedings are known to be contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed in this AIF, no director or officer of Royal Nickel or any shareholder holding, of record or beneficially, directly or indirectly, more than 10% of the issued Common Shares, or any of their respective associates or affiliates, had any material interest, directly or indirectly, in any material transaction with Royal Nickel since incorporation or in any proposed transaction which has materially affected or would materially affect Royal Nickel.

AUDITORS, REGISTRAR AND TRANSFER AGENTS

The auditors of Royal Nickel are PricewaterhouseCoopers LLP, Chartered Accountants, 1250, Blvd. René-Lévesque Ouest Suite 2800 Montréal, Quebec H3B 2G4 . PricewaterhouseCoopers LLP reports that they are independent from Royal Nickel within the meaning of the Code of Ethics of the *Ordre des comptables agréés du Quebec*.

Royal Nickel's registrar and transfer agent for its Common Shares is Computershare Investor Services Inc. at 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1.

EXPERTS

Information of an economic (including economic analysis), scientific or technical nature regarding the Dumont Nickel Project included in this AIF is based upon the Technical Report prepared by Micon, and its employees. The Technical Report was prepared by William J. Lewis, BSc., P.Geo., Alan J. San Martin, MAusIMM, Richard M.

Gowans, P.Eng., Michel Lemieux, Eng., M. Sc., Pierre Primeau, P.Eng., Colin Hardie, P.Eng. and David Penswick, P.Eng. all of whom are "independent" and "Qualified Persons" as such terms are defined in NI 43-101.

As of the date of this AIF, the aforementioned individuals and their respective firms, beneficially owned, directly or indirectly, less than 1% of the outstanding Common Shares.

MATERIAL CONTRACTS

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into by the Company which are currently in effect and considered to be currently material:

1. the Sunhu Agreement (see "General Development of the Business - Subscription Agreement with Ningbo Sunhu Chem. Products Co., Ltd."), and

2. the Warrant Indenture (see "Capital Structure - Warrants").

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

Additional information, including officers' remuneration and indebtedness, and principal holders of the Company's securities will be contained in the Company's information circular for its June 22, 2011 annual meeting of shareholders. Additional financial information is provided in the Company's financial statements and management's discussion and analysis for the 12-month period ended December 31, 2010.

EXCHANGE RATE INFORMATION

The closing, high, low and average exchange rates for U.S. dollars (based on the noon rates) expressed in Canadian dollars for each of the three years ended December 31, 2010, 2009 and 2008, as reported by the Bank of Canada, were as follows.

	2010 ($)	2009 ($)	2008 ($)
Closing	0.9946	1.0466	1.2246
High	1.0778	1.3000	1.2969
Low	0.9946	1.0292	0.9719
Average	1.0299	1.1420	1.0660

As of the date of this AIF, the exchange rate for one US$ expressed in Canadian dollars, based upon noon rates provided by the Bank of Canada was $0.9748.

METRIC CONVERSION TABLE

For ease of reference, the following conversion factors are provided:

Metric Unit	U.S. Measure	U.S. Measure	Metric Unit
1 hectare	2.471 acres	1 acre	0.4047 hectares
1 metre	3.2881 feet	1 foot	0.3048 metres
1 kilometre	0.621 miles	1 mile	1.609 kilometres
1 gram	0.032 troy ounces	1 troy ounce	31.1 grams
1 kilogram	2.205 pounds	1 pound	0.4541 kilograms
1 tonne	1.102 short tons	1 short ton	.907 tonnes
1 gram/tonne	0.029 troy ounces/ton	1 troy ounce/ton	34.28 grams/tonne

GLOSSARY OF TECHNICAL TERMS

In this AIF, the following terms will have the meanings set forth below, unless otherwise indicated. Words importing the singular include the plural and vice versa and words importing any gender include all genders:

"**Ag**" is the chemical symbol for silver.

"**assay**" is an analysis to determine the presence, absence and quantity of one or more elements.

"**Au**" is the chemical symbol for gold.

"**awaruite**" is a naturally occurring alloy of nickel and iron with a composition from Ni_2Fe to Ni_3Fe. The formula $Ni_{2.5}Fe$ is used to represent this natural variability.

"**basalt**" is dark-colored mafic igneous rocks, commonly extrusive but locally intrusive (i.e. as dikes), composed chiefly of calcic plagioclase and clinopyroxene.

"**bbl**" means barrel(s)

"**brucite**" is the mineral form of magnesium hydroxide with a composition of $Mg(OH)_2$.

"**cash costs**" are the cash costs for mining, milling and concentrating, leaching, solution pumping, solvent extraction and electrowinning, on-site administration and general expenses, any off-site services which are essential to the operation, smelting (including toll smelting charges if applicable), refining (including toll refining charges if applicable), concentrate freight costs, marketing costs, and property and severance taxes paid to state/federal agencies that are not profit related.

"**chrysotile**" is an asbestiform sub-group within the serpentine group of minerals.

"**clinopyroxene**" is a group name for a number of pyroxene minerals that have similar crystal forms. They are silicates commonly containing aluminum, magnesium, calcium, and iron in their crystal structures.

"**CIM**" means the Canadian Institute of Mining, Metallurgy and Petroleum.

"**CIM Standards**" are the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by CIM from time to time.

"**cm**" means centimetre.

"**Co**" is the chemical symbol for cobalt.

"**coalingite**" is a mineral weathering product of brucite with a composition of $Mg_{10}Fe_{23}+[(OH)_{24}|CO_3]_2H_2O$

"**core**" is the long cylindrical piece of rock brought to surface by diamond drilling.

"**core sample**" is one or several pieces of whole or split parts of core selected as a sample for analysis or assay.

"**Cu**" is the chemical symbol for copper.

"**cut-off**" means the grade above which material is considered significant and below which material is not considered significant and is excluded from resource and reserve estimates.

"**dilution**" means non-ore material included by mining process and fed to mill.

"**disseminated sulphide**" is a sulphide deposit, in which the sulphide is non-contiguous and may range from less than 1% up to about 10% of the total rock. The sulphide occurs as individual crystals or small crystalline masses in the interstices of other non-sulphide minerals composing the rock.

"**dunite**" is an igneous, plutonic rock, of ultramafic composition, with coarse grained or phaneritic texture. The mineral assemblage is typically greater than 90% olivine with minor pyroxene and chromite. Dunite is the olivine-rich end-member of the peridotite group of mantle derived rocks.

"**EM**" means electro magnetic.

"**EXPLOMINTM Field Stitch**" means analysis technique performed on a thin section of a preselected 2 × 4 cm piece of core chosen from the 1.5 m mineralogical sample interval. This analysis type generates false colour maps displaying sample texture, associations and mineralogy.

"**EXPLOMINTM Particle Scan**" means an analysis technique performed on stage crushed material representing a homogenous split of the 1.5 m sampled interval.

"**fault**" means a break in the Earth's crust caused by tectonic forces which have moved the rock on one side with respect to the other.

"**Feasibility Study**" means a comprehensive study of a mineral deposit in which all geological, engineering, legal, operating, economic, social, environmental and other relevant factors are considered in sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production.

"**footwall**" means the rock on the underside of a vein or mineral deposit.

"**g/t**" is grams per metric tonne.

"**gabbro**" is a coarse grained intrusive igneous rock composed of greenish white feldspar and pyroxene.

"**geochemical**" means prospecting techniques which measure the content of specified metals in soils and rocks for the purpose of defining anomalies for further testing.

"**geophysical**" means prospecting techniques which measure the physical properties (magnetism, conductivity, density, etc.) of rocks and define anomalies for further testing.

"**ha**" is hectare.

"**hanging wall**" is the rock on the upper side of a vein or mineral deposit.

"**heazlewoodite**" is a nickel sulphide mineral found in serpentinized dunite with the composition Ni_3S_2.

"**host rock**" means the rock surrounding an ore deposit.

"**HPAL**" means high pressure acid leach.

"**igneous rock**" means a rock formed by volcanic or magmatic processes.

"**indicated mineral resource**" means 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 outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

"**inferred mineral resource**" means 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.

"**IRR**" means internal rate of return.

"**km**" means kilometre.

"**kt**" mean kilo-tonne.

"**ktpa**" means kilo-tonne per annum.

"**kWh**" means kilowatt-hour.

"**LIDAR Bare Earth Model**" means a light detection and tanging and optical remote sensing technology that measures properties of scattered light to find range and/or other information of a distant target. The prevalent method to determine distance to an object or surface is to use laser pulses. Like the similar radar technology, which uses radio waves, the range to an object is determined by measuring the time delay between transmission of a pulse and detection of the reflected signal. Bare Earth is the modelling of terrain with all elevated features (typically buildings and trees) removed. Bare earth is critical for effectively modeling and displaying the buildings and tree volumes on an accurate real-world terrain. In order to extract bare earth, edges are detected from the last return elevation data and areas of sharp change in elevation, for example, the edges of buildings and trees, are picked out and removed from the original images.

"**lbs**" means pounds.

"**LOM**" means life of mine.

"**m**" means metre.

"**magmatic**" means of or related to magma, which is a subterranean molten rock, capable of being extruded at the surface as lava or intruded into rocks in the earth's crust.

"**magnetite**" is a ferrimagnetic mineral with composition Fe_3O_4.

"**massive sulphide**" means a sulphide deposit in which the sulphide is contiguous and usually forms more than 80% of the rock mass which may contain non-sulphidic rock inclusions.

"**measured mineral resource**" means that part of a mineral resource for which quantity, grade or quality, densities, shape, 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.

"**millerite**" is a nickel sulphide mineral, NiS. It is brassy in colour and has an acicular habit, often forming radiating masses and furry aggregates.

"**mineral resource**" means a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth's crust in such form and quantity and of such 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. The term mineral resource covers mineralization and natural material of intrinsic economic interest which has been identified and estimated through exploration and sampling and within which mineral reserves may subsequently be defined by the

consideration and application of technical, economic, legal, environmental, socio economic and governmental factors. The phrase reasonable prospects for economic extraction implies a judgment by the Qualified Person in respect of the technical and economic factors likely to influence the prospect of economic extraction. A mineral resource is an inventory of mineralization that under realistically assumed and justifiable technical and economic conditions, might become economically extractable. The term mineral resource is defined in accordance with NI 43-101 under the guidelines set out in the CIM Standards.

"**MgO**" is the chemical symbol for magnesium oxide.

"**MPP**" means mini pilot plant.

"**Mt**" means million tonnes.

"**Mw**" means megawatt.

"**NSR**" or "**net smelter royalty**" means a payment made by a producer of metals based on the value of the gross metal production from the property, less deduction of certain limited costs including smelting, refining, transportation and insurance costs.

"**Ni**" is the chemical symbol for nickel.

"**NPV**" means net present value.

"**NQ**" is a diamond core drill with diametre of 47.6 mm.

"**olivine**" is an olive green magnesium iron silicate mineral common in mafic and ultramafic rocks with a composition of $(Mg,Fe)_2SiO_4$.

"**Pb**" is the chemical symbol for lead.

"**Pd**" is the chemical symbol for palladium.

"**pentlandite**" is a common iron-nickel sulphide mineral with the composition $(Fe,Ni)_9S_8$.

"**peridotite**" means a general term for intrusive ultramafic igneous rocks consisting of olivine and lacking felspar.

"**PGE**" is platinum group element.

"**ppb**" means parts per billion.

"**ppm**" means parts per million.

"**PQ**" is a diamond core drill with diametre of 85 mm.

"**Preliminary Feasibility Study**" means 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 which, if an effective method of mineral processing has been determined, includes a financial analysis based on reasonable assumptions of technical, engineering, operating, economic 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.

"**pyrite**" is a common iron sulphide mineral FeS_2.

"**pyroxene**" is a group of chiefly magnesium-iron minerals including diopside, hexenbergite, augite pigeonite, and many other rock-forming minerals.

"**pyroxenite**" is an ultramafic igneous rock consisting essentially of minerals of the pyroxene group, such as augite and diopside, hypersthene, bronzite or enstatite.

"**pyrrhotite**" is an iron sulphide FeS.

"**Qualified Person**" means an individual who: (a) is an engineer or geoscientist with at least five years' experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these; (b) has experience relevant to the subject matter of the mineral project and the technical report; and (c) is a member in good standing of a professional association that, among other things, is self-regulatory, has been given authority by statute, admits members based on their qualifications and experience, requires compliance with professional standards of competence and ethics and has disciplinary powers to suspend or expel a member.

"**S**" is the chemical symbol for sulphur.

"**serpentine**" is a group of minerals the composition of which includes magnesium, iron, hydroxide and silicate.

"**serpentinized**" is a product of hydrated olivine.

"**SRMS**" means standard reference materials samples.

"**STP**" means standard test procedures.

"**sulphides**" means minerals that are compounds of sulphur together with another element (such as iron, copper, lead and zinc).

"**tailings**" means finely ground material remaining from ore when metal is removed.

"**tailings dam**" means an enclosed area to which slurry is transported and in which the solids settle while the liquids may be withdrawn.

"**TC/RC**" means treatment charge / refining charge.

"**TMF**" means the tailings management facility.

"**tpd**" means tonnes per day.

"**ultramafic**" is igneous rocks consisting essentially of ferro magnesian minerals with trace quartz and feldspar.

"**veins**" means a fissure, faults or crack in rock filled by minerals that have travelled upwards from some deep source.

"**VSI**" means vertical shaft impact.

"**VTEM**" means Versatile Time Domain Electromagnetics — a type of geophysical survey used to explore for massive sulphide deposits.

APPENDIX A -
AUDIT COMMITTEE CHARTER

1.0 PURPOSE

The Audit Committee (the "**Committee**") of Royal Nickel Corporation (the "**Company**") has been established by the Board of Directors of the Company (the "**Board**") for the purposes of assisting the Board in overseeing the accounting and financial reporting processes of the Company and audits of the financial statements of the Company and shall assume responsibility for:

1.1 Auditor Qualification and Independence

The external auditor's qualifications and independence.

1.2 Auditor Performance and Audit Functions

The external auditor's performance and internal and external audit functions.

1.3 Financial Statements and Related Disclosure

The quality and integrity of the Company's financial statements and related disclosure.

1.4 Internal and Disclosure Controls and Reporting

Oversight of the Company's internal control over financial reporting, disclosure controls and procedures and public disclosure with respect to finance, accounting and internal and disclosure controls.

1.5 Legal and Regulatory Compliance

Compliance with legal and regulatory requirements with respect to finance, accounting and internal and disclosure controls.

2.0 COMPOSITION

2.1 Members

The Committee shall consist of as many members as the Board shall determine, but in any event, not fewer than three (3) members. The Board shall appoint the members of the Committee annually.

2.2 Qualifications

2.2.1 Each member of the Committee shall be an independent director of the Company within the meaning of National Instrument 52-110 — *Audit Committees*.

2.2.2 Each member of the Committee shall be financially literate, meaning each member, at the time of his/her appointment, must be able to read and understand financial statements that represent a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the Company that can reasonably be expected to be raised by the Company's financial statements.

2.3 Chair

Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee.

2.4 Removal and Replacement

Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee on ceasing to be an independent director. The Board may fill vacancies on the Committee by election from among the Board. If, and whenever, vacancies shall exist on the Committee, the remaining members may exercise all its powers so long as a quorum remains.

3.0 OPERATIONS

3.1 Meetings

The Chair of the Committee, in consultation with the Committee members, shall determine the schedule and frequency of the Committee meetings, provided that the Committee shall meet at least four (4) times per year. The Audit Committee shall meet within forty-five (45) days following the end of each of the first three financial quarters and shall meet within ninety (90) days following the end of the financial year.

3.2 Independent Meetings

The Committee members shall meet independently, with only members of the Committee, following every meeting of the Committee, or more frequently, if necessary. The Committee shall meet separately with the independent auditors, at least annually. The Committee shall meet separately with management quarterly or as frequently as necessary or desirable.

3.3 Quorum

Quorum for the transaction of business at any meeting of the Committee shall be a majority of the number of members of the Committee.

3.4 Notice

Committee meetings shall be held from time to time and at such place as any member of the Committee shall determine upon reasonable notice to each of its members which shall not be less than twenty-four (24) hours. The notice period may be waived by all members of the Committee. Each of the Chair of the Board, the external auditor, the Chief Executive Officer or the Chief Financial Officer shall be entitled to request that any member of the Committee call a meeting.

3.5 Agenda

The Chair of the Committee, with the assistance of the Corporate Secretary, shall develop and set the Committee's agenda, in consultation with other members of the Committee, the Board and management. The agenda and information concerning the business to be conducted at each Committee meeting shall be, to the extent practical, communicated to members of the Committee sufficiently in advance of each meeting to permit meaningful review.

3.6 Report to the Board

The Committee shall report regularly, which shall be at least quarterly, to the entire Board. The Chair of the Committee shall prepare and deliver the report to the Board. The Committee's report by the Chair may be a verbal report delivered to the Board at a duly called Board meeting.

3.7 Assessment of Charter

The Committee shall review and reassess the adequacy of this Charter as required and recommend any proposed changes to the Board for approval.

4.0 RESPONSIBILITIES

The Committee is responsible for making all determinations and taking all necessary actions that are reasonably appropriate or necessary in the course of establishing the financial, accounting, internal and disclosure controls and procedures including:

4.1 Auditor Qualification and Independence

4.1.1 The Committee shall be directly responsible for the appointment (subject to shareholder approval), retention or replacement of the independent auditor.

4.1.2 The Committee shall be directly responsible for the compensation and oversight of the work of the independent auditor, (including resolution of disagreements between management and the auditor regarding financial reporting), employed by the Company to audit its financial statements.

4.1.3 The independent auditor shall report directly to the Committee.

4.1.4 The Committee shall review and evaluate the experience, qualification, performance and independence of the independent auditor.

4.1.5 The Committee shall have the sole authority to pre-approve:

(a) all auditing services, including all audit engagement fees and terms; and

(b) all non-audit services, including tax services to be performed by the Company's independent auditor.

4.1.6 The Committee shall review with the lead audit partner whether any of the audit partners receive any discretionary compensation from the audit firm with respect to non-audit services performed by the independent auditor.

4.1.7 The Committee shall obtain and review with the lead audit partner of the independent auditor, annually or more frequently as the Committee considers appropriate, a report by the independent auditor describing:

(a) the independent auditor's internal quality control procedures;

(b) any material issues raised by the most recent internal quality control review, or peer review, of the independent auditor, or by any inquiry, review or investigation by governmental, regulatory or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditor, and any steps taken to deal with these issues; and

(c) all relationships between the independent auditor and the Company in order to assess the independent auditor's independence.

4.1.8 The Committee shall ensure a seven-year rotation period and a five-year "time-out" period of the lead audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law and a seven-year mandatory rotation period with a two-year

"time-out" period for certain other audit partners depending on the partner's involvement in the audit.

4.1.9 The Committee shall recommend to the Board policies for the Company's hiring of partners, employees or former partners and employees of the current and former independent auditor who participated in any capacity in the audit of the Company.

4.1.10 The Committee shall pre-approve the hiring of any partner, employee or former partner and employee of the independent auditor who was a member of the Company's audit team during the preceding two fiscal years. In addition, the Committee shall pre-approve the hiring of any partner, employee or former partner or employee of the independent auditor within the preceding two fiscal years for senior positions within the Company, regardless of whether that person was a member of the Company's audit team.

4.2 Auditor Performance and Audit Functions

4.2.1 The Committee shall discuss with management and advise on the appointment, replacement, reassignment or dismissal of any senior internal auditor, if applicable.

4.2.2 The Committee shall meet with management and the independent auditor prior to the audit to discuss the scope, planning and staffing of the proposed audit for the current year.

4.2.3 The Committee shall review and discuss with management and the independent auditor, any internal audit department responsibilities, plans, results, budget and staffing, if applicable.

4.2.4 The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report and to any advisors employed by the Committee.

4.3 Financial Statements and Related Disclosure

4.3.1 The Committee shall review and discuss with management and the independent auditor the Company's annual audited financial statements, including the management's discussion and analysis before the filing of such statements.

4.3.2 The Committee at its discretion, shall review and discuss with management and the independent auditor the Company's quarterly financial statements, including the interim management's discussion and analysis, and the results of the independent auditor's review of the quarterly financial statements, before the filing of such statements.

4.3.3 The Committee shall discuss with the independent auditor management's competency in preparing the financial statements.

4.3.4 The Committee at its discretion, shall review and discuss quarterly and annual reports from the independent auditor on:

(a) all critical accounting policies and practices to be used by the Company in preparing its financial statements;

(b) all material alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of these alternative disclosures and treatments, and the treatment preferred by the independent auditor; and

(c) other material communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.

4.3.5 The Committee shall review and discuss with management earnings (and/or other financial information) press releases with particular attention to the use of "pro forma" or "adjusted" non-GAAP information, before they are issued.

4.3.6 The Committee shall review and discuss generally with management the nature of the financial information and earnings guidance provided to analysts and rating agencies.

4.3.7 The Committee shall review and discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.

4.3.8 The Committee shall discuss with management and the independent auditor any audit problems or difficulties and management's response.

4.3.9 The Committee shall discuss with management and the independent auditor financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal control over financial reporting and any special steps adopted in light of material control deficiencies.

4.3.10 The Committee shall review with management, and any outside professionals as the Committee considers appropriate, important trends and developments in financial reporting practices and requirements and their effect on the Company's financial statements.

4.3.11 The Committee shall review with management any related party transactions and ensure such related party transactions are appropriately disclosed.

4.4 Internal and Disclosure Controls and Reporting

4.4.1 The Committee shall review with management, any internal auditor and the independent auditor disclosures made to the Committee by the Company's CEO and CFO during their certification process for the quarterly and annual financial filings about the quality, adequacy and effectiveness of the Company's internal control over financial reporting and any significant deficiencies in the design or operation of internal control over financial reporting or material weakness therein and any fraud involving management or other employees who have a significant role in the Company's internal control over financial reporting.

4.4.2 The Committee shall review with management, any internal auditor and the independent auditor and conduct an annual assessment and a quarterly evaluation of the Company's disclosure controls and procedures and the Company's internal control over financial reporting and determine if there are any significant deficiencies or weaknesses in the Company's control procedures. The Committee shall review with management the Company's anti-fraud control procedures.

4.4.3 The Committee shall review and discuss with management and the independent auditor the effectiveness of the Company's disclosure controls and procedures and the Company's internal control over financial reporting.

4.4.4 The Committee shall review and discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's policies with respect to risk assessment and risk management.

4.5 Legal and Regulatory Compliance

4.5.1 The Committee shall discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company.

4.5.2 The Committee shall establish procedures for:

(a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, auditing matters or potential violations of law; and

(b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters or potential violations of law.

4.5.3 The Committee shall review any required disclosure in public documents with respect to the Committee and its functions, including the disclosure required in the Annual Information Form under National Instrument 52-110.

The foregoing list of duties is not exhaustive, and the Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its oversight function.

5.0 AUTHORITY

5.1 Delegation

The Committee has the power to delegate its authority and duties to a subcommittee or individual members of the Committee, as it deems appropriate, provided that the subcommittee is composed entirely of unrelated directors.

5.2 Advisors

The Committee may retain, and determine the fees of, independent counsel and other advisors, in its sole discretion.

5.3 Access to Records and Personnel

In discharging its oversight role, the Committee shall have full access to all Company books, records, facilities and personnel.

5.4 Clarification of Audit Committee's Role

The Committee's responsibility is one of oversight. It is the responsibility of the Company's management to prepare consolidated financial statements in accordance with applicable law and regulations and of the Company's independent auditor to audit those financial statements. Therefore, each member of the Committee shall be entitled to rely, to the fullest extent permitted by law, on the integrity of those persons and organizations within and outside the Company from who he or she receives information, and the accuracy of the financial and other information provided to the Committee by such persons or organizations.