



**ROYAL NICKEL CORPORATION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012**

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## INTRODUCTION

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The following management's discussion and analysis ("**MD&A**") of the financial condition and results of the operations of Royal Nickel Corporation ("**RNC**", "**Royal Nickel**" or the "**Corporation**") constitutes management's review of the factors that affected the Corporation's financial and operating performance for the quarter ended September 30, 2012. This MD&A, dated November 9, 2012, is intended to supplement and complement the Corporation's unaudited condensed interim financial statements – prepared in accordance with International Financial Reporting Standards ("**IFRS**") applicable to the preparation of interim financial statements including IAS 34 Interim Financial Reporting – and related notes for the three months ended September 30, 2012 and should be read in conjunction with both the audited financial statements for the year ended December 31, 2011, and the Corporation's most recent Annual Information Form on file with Canadian provincial securities regulatory authorities and available at [www.sedar.com](http://www.sedar.com). Unless otherwise noted, all amounts presented are in Canadian dollars.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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This MD&A contains "forward-looking information" 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 if commercial production is achieved, the future financial or operating performance of the Corporation and its projects, the future price of and supply and demand for nickel, the estimation of mineral reserves and resources, the realization of mineral reserves and 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, the success of mining operations, permitting, economic return estimates and potential upside. 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. 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 Corporation to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The pre-feasibility study results are estimates only, are preliminary in nature and are based on a number of assumptions, any one of which, if incorrect, could materially change the projected outcome. Until a positive feasibility study has been completed, and even with the completion of a positive feasibility study, there are no assurances that the Dumont Nickel Project will be placed into production. Factors that could affect the outcome include, among others: the actual results of development activities; project delays; inability to raise the funds necessary to achieve the milestones or complete development; general business, economic, competitive, political and social uncertainties; future prices of metals; availability of alternative nickel sources or substitutions; actual nickel recovery; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; the future cost of capital to the Corporation; 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 the Corporation's most recent Annual Information Form. 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 Corporation 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 herein are made as of the date of this MD&A and the Corporation 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.

## **DESCRIPTION OF BUSINESS**

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Royal Nickel is a mineral resource company primarily focused on the exploration, evaluation, development and acquisition of mineral properties. The Corporation is currently considered to be in the exploration and evaluation stage and its current principal asset and sole material property is the Dumont nickel project (the "**Dumont Nickel Project**"), strategically located in the established Abitibi mining camp, 25 kilometres northwest of Amos, Quebec, Canada. In addition to its Dumont Nickel Project the Corporation holds certain other properties, as set out below under "*Mineral Exploration Properties*". The Corporation's common shares and warrants are traded on the Toronto Stock Exchange ("**TSX**") (TSX symbols RNX and RNX.WT).

On May 14, 2012 the Corporation released the results of a revised pre-feasibility study ("**revised PFS**") based on a 50,000 tonnes per day ("**tpd**") startup scenario with a subsequent expansion to 100,000 tpd. The revised PFS (including trolley assist) estimates an increase of 31% in the after tax net present value ("**NPV**") to US\$1,420 million at a discount rate of 8% from commencement of construction and an after tax internal rate of return ("**IRR**") of 19.5%. The simple payback period is 5.5 years. Both studies assumed a long term nickel price of US\$9.00/lb and an exchange rate of CDN\$1.00 = US\$0.90. Significant additional geological, mineralogical and metallurgy work completed since the release of the initial pre-feasibility study dated December 16, 2011 ("**initial PFS**"), was incorporated in the revised PFS. Potential recovery improvements were identified as well as the potential to utilize trolley assist to improve the overall mining cost for the project by using electricity to replace a portion of the diesel fuel consumed by trucks. The revised PFS includes the impacts of the additional testwork to increase overall recoveries by 10% to 45% as well as the detailed work to update the mining plan to include trolley assist to reduce mining costs by reducing estimated diesel consumption by 28% over the life of the project. The current pit design was completed during the initial PFS and is not optimized for use by trolley. It will be redesigned during the feasibility study stage to allow for the potential for further benefits from the implementation of trolley assist during the expansion in year five. The revised PFS highlights that follow reflect the base case including trolley assist option. The 50,000 tpd startup scenario is estimated to require an initial capital investment of US\$1,112 million which is unchanged from the initial capital estimate in the initial PFS. The expansion from 50,000 tpd to 100,000 tpd in year five is estimated to require an additional US\$739 million capital investment, which has increased slightly by \$6 million to account for the additional capital for the trolley assist. The average annual production during the first 19 years of the mine operation has increased by 12% to an estimated 49 kilotonnes of nickel in concentrate reducing to an annual average of 29 kilotonnes of nickel in concentrate for the remaining 12 years when the low grade stockpile is processed. Overall, the project is expected to generate an average annual production of 41 kilotonnes of nickel in concentrate at average cash costs of US\$4.07 per pound during a 31 year project life. A National Instrument 43-101 ("**NI 43-101**") compliant pre-feasibility study technical report on the Dumont Nickel Project was filed on June 22, 2012.

Since acquiring the Dumont Nickel Project in 2007, Royal Nickel has undertaken an aggressive exploration and evaluation program to evaluate and develop the mineral resources. The exploration and evaluation work completed to date includes over 168,000 metres of diamond drilling at regularly spaced sections in order to delineate the mineral resource and assess geotechnical properties of the rock. 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 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.

The revised PFS has stated probable reserves for the Dumont Nickel Project of approximately 1.1 billion tonnes at a 0.27% nickel grade. This reserve was derived from an updated resource base of approximately

1.6 billion tonnes at 0.27% nickel grade in the measured and indicated category along with an additional 0.5 billion tonnes at 0.26% nickel grade in the inferred category.

## **CORPORATE STRATEGY**

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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. Our mission statement further defines how we plan 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 statements RNC has developed a set of values that we have implemented across the company. These value statements act as guidelines for how we conduct ourselves and our 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 updated the following targeted key milestones to achieve the development of the Dumont Nickel Project:

- a) potential placement of long-lead orders beginning in 2013 driven by the project schedule and market driven equipment lead times;
- b) completion of feasibility study by mid-2013;
- c) receipt of permits in early 2014;
- d) start of construction in early 2014; and
- e) project commissioning and ramp-up in late 2015 or early 2016.

The milestones have been adjusted slightly to account for best estimate of permitting timelines based on progress on the Environmental and Social Impact Assessment ("ESIA") as well as the latest information from the respective governmental organizations. RNC management continues to work diligently to push the development of the Dumont Project forward as quickly as possible.

Royal Nickel continues to work with its financial advisor, Rothschild, to arrange financing to fund additional engineering studies, deposits on long-lead mine equipment, permitting and construction of the Dumont Nickel Project. Royal Nickel will be exploring options for financing through a combination of strategic partnerships, joint venture arrangements, project debt finance, offtake financing and equity financing throughout the last quarter of 2012 and into 2013. 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.

## THIRD QUARTER AND RECENT HIGHLIGHTS

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- On August 1, 2012, the Corporation announced the completion of a \$12 million investment in the Dumont Nickel Project by Ressources Québec Inc., a subsidiary of Investissement Québec.
- On August 2, 2012, the Corporation announced the appointment of a Project Director for the Dumont Nickel Project.
- On September 12, 2012, the Corporation reported that it had received confidential non-binding indicative partnership proposals from potential partners interested in the development of the Dumont Nickel Project.
- On September 19, 2012, the Corporation announced that it had selected Norascon as the mining contractor for the overburden pre-stripping phase of the Dumont Nickel Project. On September 26, 2012, the Corporation and the municipality of Launay announced the signing of a Provisional Collaboration and Partnership Agreement for the development of the Dumont Nickel Project.
- The Corporation incurred a net loss of \$2.9 million for the three months ended September 30, 2012 compared to a net loss of \$1.2 million in the same period in 2011.
- On October 17, 2012, RNC announced that it is engaged in discussions with multiple companies to process concentrate anticipated to be produced at the Dumont Nickel Project.

## OPERATIONAL REVIEW

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The Corporation's immediate focus is to continue to fast track the development of its current principal property, the Dumont Nickel Project.

### Dumont Nickel Project

During the third quarter of 2012, the Corporation focused its activities on continuing work in support of a feasibility study targeted to be completed in mid-2013. The work program focused on geological and geotechnical data collection, metallurgical testwork and flowsheet optimization, continuation of the ESIA and community consultation.

This work included the following:

- a) The Dumont feasibility study was initiated in June 2012 by a team comprised of Ausenco Limited ("**Ausenco**"), SRK Consulting (Canada) Inc. ("**SRK**"), Snowden Group, Dave Penswick, P.Eng. and Golder Associates;
- b) Additional geotechnical investigation of bedrock and overburden by drilling and pitting was completed in order to assess foundation conditions for the processing plant, tailings impoundments, stockpiles and waste dumps;
- c) Completed site-wide outcrop mapping;
- d) Additional mineralogical sampling and analyses were initiated to supplement the mineralogical database for the Dumont deposit and support the resource estimate update to be completed as part of the feasibility study;
- e) Continued voluntary implementation of the second phase of a public consultation process that will integrate feedback from the surrounding communities as the project evolves. The goal of this process is to ensure effective communication and distribution of information and documentation of the concerns, comments and suggestions of the host communities in order to improve the feasibility study and validate the content of the ongoing environmental impact study;
- f) Ausenco completed a trade-off study to evaluate various options including the potential for flash flotation and a mill-float-mill-float flowsheet, prior to feasibility design;
- g) The ESIA led by GENIVAR Inc. ("**Genivar**") continued;

- h) Laboratory testwork was completed to evaluate flash flotation and coarse grinding on the Dumont mineralization;
- i) Metallurgical testwork was completed to optimize the comminution circuit (grind size and desliming characterization) on seven composites that represent the five metallurgical domains;
- j) Laboratory scale testing was completed on the tailings and ore process streams to characterize their performance for feasibility level mill design;
- k) Laboratory scale kinetic testwork was completed on the nickel sulphide concentrate to support the ferronickel flowsheet option;
- l) Additional hydrological (stream) data collection and hydrogeological (groundwater) monitoring continued in support of the ESIA and feasibility study water balance;
- m) Additional 15 metallurgical variability tests were completed to support the feasibility study recovery model update.

### Mineral Reserves and Resources – Dumont Nickel Project

The mineral reserves and resources for the Dumont Nickel Project shown below are extracted from the revised pre-feasibility study technical report dated June 22, 2012 and filed under RNC's profile on SEDAR at www.sedar.com.

The tonnages and grades for the Mineral Reserve and Resource estimates are summarized in the tables below. The mineral resource estimate includes mineral reserves:

#### Mineral Resource Statement<sup>1</sup>, Dumont Nickel Project—SRK April 12, 2012 (including mineral reserves)

Resource Category	Quantity	Grade		Contained Nickel		Contained Cobalt	
	(000 t)	Ni (%)	Co (ppm)	(000 t)	(Mlbs)	(000 t)	(Mlbs)
Measured	359,440	0.29	112	1,030	2,260	40	89
Indicated	1,261,630	0.26	106	3,330	7,336	130	295
Measured + Indicated	1,621,070	0.27	109	4,360	9,596	170	384
Inferred	513,080	0.26	100	1,320	2,904	50	113
Resource Category	Quantity	Grade		Contained Palladium		Contained Platinum	
	(000 t)	Pd (gpt)	Pt (gpt)	(ounces)		(ounces)	
Measured	-	-	-	-		-	
Indicated	182,860	0.036	0.018	211,000		107,000	
Measured + Indicated	182,860	0.036	0.018	211,000		107,000	
Inferred	256,530	0.030	0.016	243,000		135,000	
Resource Category	Quantity	Grade		Contained Magnetite			
	(000 t)	Magnetite (%)		(000 t)	(Mlbs)		
Measured	-	-		-	-		
Indicated	579,620	3.87		22,450	49,500		
Measured + Indicated	579,620	3.87		22,450	49,500		
Inferred	1,301,540	4.13		53,760	118,515		

1. Reported at a cut-off grade of 0.2 percent nickel inside conceptual pit shells optimized using nickel price of US\$9.00 per pound, average metallurgical and process recovery of 41 percent, processing and G&A costs of US\$5.40 per tonne milled, exchange rate of CAD\$1.00 equal US\$0.90, overall pit slope of 40 degrees to 44 degrees depending on the sector, and a production rate of 100,000 tonnes per day. Values of palladium, platinum and magnetite are not considered in the cut-off grade calculation as they are by-products of recovered nickel. All figures are rounded to reflect the relative accuracy of the estimates. Mineral resources are not mineral reserves and do not have demonstrated economic viability.

**Mineral Reserves Summary, Dumont Nickel Project—David Penswick  
May 14, 2012<sup>1</sup>**

Reserve Category	Reserve (kt)	Grade Ni (%)	Grade Co ppm	Contained Nickel		Contained Cobalt	
				(kt)	(M lbs)	(kt)	(M lbs)
Proven	-	-	-	-	-	-	-
Probable	1,066,200	0.27	107	2,876	6,340	114	252
<b>Total Proven &amp; Probable</b>	<b>1,066,200</b>	<b>0.27</b>	<b>107</b>	<b>2,876</b>	<b>6,340</b>	<b>114</b>	<b>252</b>

1. Reported at a cut-off grade of 0.2 percent nickel inside an engineered pit design. This design was based on a Lerchs-Grossmann optimized pit shell using nickel price of US\$6.70 per pound, average metallurgical and process recovery of forty-one percent, processing and G&A costs of US\$6.30 per tonne milled, exchange rate of CAD\$1.00 = US\$0.90, overall pit slope of forty to forty-four degrees depending on the sector and a production rate of 50 kptd. All figures rounded to reflect the relative accuracy of the estimates. Mineral reserves are based on a smallest mining unit of 6000m<sup>3</sup> and include allowances of 0.65% for unplanned dilution and 0.80% for mining losses.

### Technical Disclosure

Unless otherwise indicated, the Corporation has prepared the technical information in this MD&A ("Technical Information") based on information contained in the technical reports and news releases (collectively the "Disclosure Documents") available under Royal Nickel's company profile on SEDAR at [www.sedar.com](http://www.sedar.com). Each Disclosure Document was prepared by or under the supervision of a qualified person (a "Qualified Person") as defined in NI 43-101 – *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators. Readers are encouraged to review the full text of the Disclosure Documents which qualifies the Technical Information. Readers are advised that mineral resources that are not mineral reserves do not have demonstrated economic viability. The Disclosure Documents are each intended to be read as a whole, and sections should not be read or relied upon out of context. The Technical Information is subject to the assumptions and qualifications contained in the Disclosure Documents.

The disclosure in this MD&A of all technical information has been prepared under the supervision of Alger St-Jean, P.Geo., Vice President Exploration of the Corporation and Johnna Muinonen, P.Eng., Vice President Operations of the Corporation, both Qualified Persons under NI 43-101.

### Jefmar and Marbridge Properties

Minor exploration work was completed on the Marbridge and Jefmar properties during the quarter ended September 30, 2012. Royal Nickel compiled and field checked historical data for the Marbridge property during the quarter in order to design an exploration program for the property.

For Jefmar property claim number 2116146 Lot 8, Range 6, La Motte Township, Glen Eagle Resources Inc. ("**Glen Eagle**") continues to perform exploration work under an option and joint venture agreement that was finalized in April 2011 whereby Glen Eagle can earn a 70% interest in this claim. In May 2011, Glen Eagle completed a NI 43-101 technical report for a mineral resource estimation for a lithium deposit that occurs partly on claim 2116146. Glen Eagle has completed a total of approximately \$269,000 in exploration expenditures on the claim to fulfill the expenditure requirement of \$250,000 by the second anniversary date, and has made the required option payment of \$10,000 on the September 10 anniversary date of the agreement to keep the option in good standing. Glen Eagle is currently working on a scoping study.

As at the date of the MD&A, both properties are considered to have longer term potential and, given the current focus on the Dumont Nickel Project, Royal Nickel will incur minor expenditures on both properties for the remainder of 2012.

### NICKEL INDUSTRY TRENDS

Nickel prices set a new low for the year during the third quarter of 2012, along with other commodity prices, as continued uncertainty over growth in the Chinese economy and the debt crisis in Europe weighed heavily on the markets. Market conditions rebounded during September as announcements by the ECB and the U.S. Federal Reserve that they would continue to inject money into the market to support growth provided a much needed lift to commodity prices. By the end of September 2012 though, it appeared that lack of any clear resolution in Europe may continue to weigh on the markets once again.

Growth in nickel supply once again failed to meet analysts' expectations due to a combination of operating challenges at a number of the larger scale laterite projects and restrictions on Indonesian ore exports. The shortfall in supply has prompted leading nickel industry analyst Brook Hunt – A Wood Mackenzie Company to change its view on the nickel market: “Our long-held view of an oversupplied market depressing nickel prices in 2013 and 2014 has changed to one of balance that will help to keep prices above current levels over the next two years.”<sup>1</sup> Vale’s Goro project on the South Pacific island of New Caledonia (60 tpa projected nickel supply) remained closed due to a previously announced equipment failure. In addition, Vale’s Onca Puma project in Brazil remained shut down due to problems with its two furnaces and a return to activity is not yet scheduled and Sherritt International’s Ambatovy project in Madagascar finally received a six month operating permit during the quarter which would allow it to ramp up to full production.

Indonesia has been a substantial exporter of nickel ore to China and has provided the bulk of nickel raw material to support the growth of nickel pig iron supply in China. After the implementation of new legislation restricting ore exports from Indonesia in May of this year, ore imports into China from Indonesia dropped to just 4.9 million tonnes in the third quarter, one-third lower than the quarterly average during the prior 12 months.

This environment of ongoing technical challenges at laterite projects and the political risk faced by companies in many jurisdictions 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 that continues to permit mines and is rated one of the top mining jurisdictions in the world.

### Nickel Prices



Source: [metalprices.com](http://metalprices.com)

Note: Nickel trades primarily on the London Metals Exchange (“LME”) and all references to nickel prices are based on trading on the LME.

Nickel began 2012 at US\$8.36 per pound, reached a high of US\$9.90 on February 8, 2012, a low of US\$6.89 on August 16, 2012 and closed the third quarter at US\$8.40 per pound. Nickel prices averaged US\$7.40 per pound in the third quarter and US\$8.04 in the first three quarters of 2012, compared to US\$10.00 and \$11.04 per pound respectively in the similar periods in 2011. LME inventories increased 19 kilotonnes to 123 kilotonnes at the end of the third quarter of 2012 and are 26 kilotonnes higher than at the end of the third quarter of 2011.

<sup>1</sup> Source: Wood MacKenzie Limited Metals Market Service Monthly Update, September 2012.

## MINERAL EXPLORATION PROPERTIES

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The current principal asset of the Corporation is the Dumont Nickel Project where a mineral reserve has been delineated. The Corporation has other exploration assets, consisting of (i) the Jefmar property and (ii) the Marbridge property. It has not yet been determined whether these other properties contain an economic mineral reserve or resource.

### **The Dumont Nickel Project**

The Dumont Nickel Project is located in the western portion of the Province of Quebec. Specifically, the property is located in the Launay and Trecesson Townships in the Abitibi Region. The property is located approximately 25 kilometres west of the city of Amos, approximately 60 kilometres northeast of the industrial and mining city of Rouyn-Noranda and 70 kilometres northwest of the city of Val-d'Or.

The Dumont Property consists of 220 contiguous mineral claims totalling 9,042 hectares. The mineral resource is 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 Trecesson Township.

### **Mineral Tenure**

The mineral properties comprising the Dumont Nickel Project are all mineral claims in which a 98% beneficial interest is held by RNC. The remaining 2% is registered in the name of Ressources Québec Inc., a subsidiary of Investissement Québec, and held under the terms of the agreement entered into by the Corporation and Ressources Québec Inc. on August 1, 2012.

### **Underlying Agreements**

Several of the mineral claims are subject to royalty agreements with the parties from whom they were purchased. The details of the royalty interests are described below. The remainder of the claims comprising the Dumont Nickel Project were obtained through staking by RNC or through purchase and are not subject to any further royalty or consideration.

### **Marbaw Claims (Marbaw NSR)**

The Marbaw International Nickel Corporation ("**Marbaw**") mineral claim block is comprised of 65 mineral claims totalling 2,639 hectares. This block of claims was originally held by Marbaw, but a 100% interest in the claims was sold and transferred to Royal Nickel, for consideration paid at the closing time and for future consideration, under an agreement dated March 8, 2007.

Future consideration consists of the following:

- a) Issuance of 7 million shares in RNC 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.
- b) Payment of \$1,250,000 to Marbaw on March 8, 2008. This amount has been paid by Royal Nickel.

RNC also committed to incurring a minimum expenditure of \$8,000,000 on the property prior to ceasing operations. This commitment was met in 2008. The Marbaw mineral claims are subject to a 3% net smelter return ("**NSR**") royalty payable to Marbaw. RNC has the right to buy back half of the 3% NSR for \$10,000,000 at any time.

### **Sheridan-Ferderber Claims (Coyle-Roby NSR)**

The Sheridan-Ferderber mineral claim block comprises 6 contiguous claims totalling 256.47 hectares. The claims were originally held 50% by Terrence Coyle and 50% by Michel 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 RNC through an agreement dated May 4, 2007.

RNC's option to acquire 100% interest in this block of mineral claims was exercised by the completion of \$75,000 in work on the claims before October 26, 2008 and by paying \$10,000 to Coyle-Roby by October 26, 2007 and \$30,000 to Coyle-Roby by October 26, 2008. The claims were transferred 100% to RNC on August 25, 2008.

These 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 half of this 2% NSR for \$1,000,000 at any time. An advance royalty of \$5,000 per year is also payable to Coyle-Roby beginning in 2011. The annual advance royalty payments due have been made by the Corporation.

#### ***Frigon-Robert Claims (Frigon-Robert NSR)***

The Frigon-Robert mineral claim block comprises 2 contiguous claims totalling 83.84 hectares. The claims were originally held 50% by Jacques Frigon and 50% by Gérard Robert. They were transferred to RNC through a purchase agreement dated November 1, 2010.

These claims are subject to a 2% NSR royalty payable to Jacques Frigon (1%) and Gérard Robert (1%). Royal Nickel has the right to buy back half of this 2% NSR for \$1,000,000 at any time.

#### ***Ressources Québec Agreement (Ressources Québec NSR)***

On August 1, 2012, the Corporation sold a 2% undivided co-ownership interest in the Dumont Nickel Project to Ressources Québec, a subsidiary of Investissement Québec, for \$12 million, which interest entitles Ressources Québec to 0.8% of the NSR from the Dumont Nickel Project. At any time after August 1, 2017, the Corporation has the right to acquire all or a portion of the 0.8% NSR for a price of \$10 million per 0.2% increment. Upon acquisition by the Corporation of the full 0.8% NSR, the 2% undivided co-ownership interest will be re-conveyed to the Corporation.

#### ***Permits and Authorizations***

Exploration work on public land (Crown land) is conducted under a forestry operational permit granted by the Quebec Ministry of Natural Resources and Wildlife (MNRF) and renewed periodically. Exploration work on agricultural zoned lands is conducted under a permit granted by the Quebec Agricultural Land Protection Commission (CPTAQ). Exploration work on private surface rights not owned by RNC is conducted under the terms of access agreements between RNC and individual land owners. Stream crossings have been constructed under permits issued variously or jointly by the MNRF, CPTAQ and the Ministry of Sustainable Development, Environment and Parks. There are no known formal native land claims on the territory of the Dumont Nickel Project within the St. Lawrence drainage basin. Algonquin first nations do, however, assert aboriginal rights over parts of western Quebec and eastern Ontario. Consultation with first nations is a responsibility of the federal and provincial governments. Nonetheless, RNC has initiated discussions with the local Algonquin Conseil de la Première nation Abitibiwinni to develop a memorandum of understanding for cooperation regarding the development of the Dumont Nickel Project.

#### ***Environmental Considerations***

The Corporation is unaware of any outstanding environmental liabilities attached to the Dumont Nickel Project and is unable to comment on any remediation which may have been undertaken by previous companies. In order to limit environmental impact to one drainage basin, RNC has elected to contain pre-feasibility study project infrastructure within the St. Lawrence drainage basin.

#### ***Mining Rights in Quebec***

Under Quebec Mining Law, the holder of a claim has the exclusive right to explore for mineral substances (other than petroleum, natural gas and brine, sand, gravel and other surface substances) on the parcel of land subject to the claim. A claim has a term of two years. It may be renewed for additional periods of two years by completing minimum exploration work requirements and paying renewal fees. The holder of one or more claims may obtain a mining lease for the parcels of land subject to such claims, provided that the holder can prove the existence of a workable deposit on the property.

The mineral claims confer subsurface mineral rights only. Approximately 40% of the surface rights for the property are held privately by a number of owners, resident both in the area and outside the region. RNC has purchased or acquired options to purchase approximately 680 hectares of private surface rights overlying the Dumont resource. The remainder of the surface rights are public land (Crown land).

A portion of the Dumont Nickel Project claims underlie surface rights that are classified as an agricultural zone within the meaning of the Act respecting the preservation of agricultural land and agricultural activities, RSQ, c P-41.1. Mining activity on these lands would require rezoning or exclusion of these lands from the agricultural

zone by the CPTAQ. 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.

Use of surface rights for mining and associated activities under the terms of a mining lease is subject to environmental permitting. Access to surface rights for private lands would be obtained by negotiating purchase thereof from private surface rights holders. Access to surface rights for public lands would be obtained through the mining lease process. Prior to commencing any mining, the operator of a mine or mill on the land subject to a lease must submit a rehabilitation and restoration plan for the site and deposit a financial guarantee. No compensation may be claimed by the holder of a mining claim from the holder of a mining lease for the depositing of tailings on the parcel of land that is subject to the claim.

### **Dumont Nickel Project 2012 Program and Estimated Expenditures**

The total 2012 expenditure for the Dumont Nickel Project is currently estimated to be approximately \$24 million.

### **Marbridge Property**

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

The Marbridge Property is located 60 kilometres by road southeast of the Dumont Nickel Project and 40 kilometres 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 hectares 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 that produced 702,366 tonnes of ore grading 2.28% nickel and 0.1% copper over a five year period between 1962 and 1968.

Minor field expenditures to keep the property in good standing as well as a property-wide compilation and field checking of historical data and mapping to define exploration targets are anticipated for the property for the remainder of 2012.

### **Jefmar Property**

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

Pursuant to the terms of the Jefmar Agreement, the Corporation gave the following consideration for the acquisition of the Jefmar Property:

- a) Payment of \$70,000 to Jefmar;
- b) Issuance of 150,000 Common Shares to Jefmar; and
- c) A 2% NSR royalty granted to Jefmar. The Corporation has the right and option to buy back 1% of the NSR royalty for a price equal to \$1,000,000 with a minimum of 60 days prior written notice to Jefmar.

On September 10, 2010 the Corporation entered into a letter agreement with Glen Eagle on Jefmar property claim number 2116146 Lot 8, Range 6, La Motte Township whereby Glen Eagle can earn 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 was finalized in April 2011. Glen Eagle has maintained their option by completing exploration work in 2011 on Jefmar claim number 2116146 under this agreement. Glen Eagle completed a NI 43-101 technical report dated May 20, 2011 for a mineral resource estimation for a lithium deposit that occurs partly on claim 2116146. Glen Eagle has completed a total of approximately \$269,000 in exploration expenditures on the claim to fulfill the expenditure requirement of \$250,000 by the second anniversary date, and has made the required option payment of \$10,000 on the September 10 anniversary date of the agreement to keep the option in good standing. Glen Eagle is currently working on a scoping study.

Minor exploration expenditures to keep the property in good standing were incurred on the remainder of the Jefmar property and no significant expenditures are anticipated for the project for the remainder of 2012.

## **RESULTS OF OPERATIONS**

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### **Three months ended September 30, 2012, compared with three months ended September 30, 2011**

The Corporation's net loss totalled \$2.9 million for the three months ended September 30, 2012 (with basic and diluted loss per share of \$0.03). This compares with a net loss of \$1.2 million (with basic and diluted loss per share of \$0.01) for the three months ended September 30, 2011. The net loss increase of \$1.7 million reflects an increase in the deferred income tax expense (\$1.1 million) and higher general and administrative expenses (\$0.6 million).

The increase in general and administrative expenses of \$0.6 million is due primarily to a share based payments expense for the three months ended September 30, 2012 of \$0.5 million compared to a share based payments recovery of \$0.3 million in the same period last year. The net increase in the share based payments expense of \$0.8 million is primarily due to a mark-to-market expense for deferred share units ("DSUs") and restricted share units ("RSUs") (\$0.3 million) for the three months ended September 30, 2012 compared to a mark-to-market recovery (\$0.5 million) in the same period last year.

The increase in the deferred income tax expense of \$1.1 million is due primarily to the amount of deferred income tax liability associated with Quebec mining duties recorded in the period as compared to the prior period. The increase is specifically attributed to the amount and type of expenditures incurred in the current period as compared to the prior period.

### **Nine months ended September 30, 2012, compared with nine months ended September 30, 2011**

The Corporation's net loss totalled \$7.6 million for the nine months ended September 30, 2012 (with basic and diluted loss per share of \$0.08). This compares with a net loss of \$6.0 million (with basic and diluted loss per share of \$0.07) for the nine months ended September 30, 2011. The net loss increase of \$1.6 million is due primarily to higher general and administrative expenses (\$1.9 million) and lower finance income (\$0.2 million) offset partially by a decrease in the deferred income tax expense (\$0.6 million).

The increase in general and administrative expenses of \$1.9 million is due primarily to a share based payments expense for the nine months ended September 30, 2012 of \$0.5 million compared to a share based payments recovery of \$1.0 million in the same period last year, higher consulting fees (\$0.7 million) and higher business development expenses (\$0.3 million). The net increase in the share based payments expense of \$1.5 million is primarily due to a mark-to-market recovery (\$0.1 million) for deferred share units ("DSUs") and restricted share units ("RSUs") for the nine months ended September 30, 2012 compared to a mark-to-market recovery (\$2.2 million) in the same period last year, partially offset by a lower vesting expense (\$0.6 million). The increase in consulting fees (\$0.7 million) is due primarily to higher project finance advisory consulting services. Higher business development expenses (\$0.3 million) are due primarily to costs associated with the project partnering process.

Lower finance income of \$0.2 million reflects lower interest income as a result of a lower average cash balance for the nine months ended September 30, 2012. The decrease in the deferred income tax expense (\$0.6 million) is due primarily to the re-measurement in the same period last year of the deferred tax liability associated with Quebec mining duties, as a result of an increase in the Quebec mining duties rate to 16% from 12% enacted in the period.

## SUMMARY OF QUARTERLY RESULTS

### Summary of Quarterly Results

(expressed in thousands of dollars except per share amounts)

	2012				2011		2010	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net loss	<b>\$(2,948)</b>	\$(2,097)	\$(2,506)	\$(1,772)	\$(1,182)	\$(3,068) <sup>1</sup>	\$(1,729)	\$(4,690) <sup>2</sup>
Net loss per share	<b>\$(0.03)</b>	\$(0.02)	\$(0.03)	\$(0.03)	\$(0.01)	\$(0.03)	\$(0.02)	\$(0.07)
Fully diluted net loss per share	<b>\$(0.03)</b>	\$(0.02)	\$(0.03)	\$(0.03)	\$(0.01)	\$(0.03)	\$(0.02)	\$(0.07)

1. The higher than normal loss for the quarter of \$3.1 million was primarily due to a higher deferred income tax expense of \$1.8 million that reflects the re-measurement of the deferred tax liability associated with Quebec mining duties, as a result of an increase in the Quebec mining duties rate to 16% from 12% enacted in the quarter.

2. The higher than normal loss for the quarter of \$4.7 million was primarily due to an increased share based payments charge of \$2.6 million, which included a charge of \$0.5 million as a result of the December 31, 2010 mark-to-market of DSUs and RSUs.

## CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

Three months ended September 30,      Nine months ended September 30,

Sources and Uses of Cash (in thousands of dollars)	2012		2011	
	2012	2011	2012	2011
Cash used in operations prior to changes in working capital	<b>\$(1,529)</b>	\$(1,700)	<b>\$(5,516)</b>	\$(4,949)
Changes in non-cash working capital	<b>95</b>	32	<b>453</b>	(1,501)
Cash used in operating activities	<b>(1,434)</b>	(1,668)	<b>(5,063)</b>	(6,450)
Cash provided by (used in) investing activities	<b>8,777</b>	(7,597)	<b>2,245</b>	(20,817)
Cash provided by (used in) financing activities	<b>41</b>	(8)	<b>239</b>	6,684
Change in cash and cash equivalents	<b>\$7,384</b>	\$(9,273)	<b>\$(2,579)</b>	\$(20,583)

### Operating Activities

For the three months ended September 30, 2012, cash used in operating activities, prior to changes in non-cash working capital, was \$1.5 million compared to \$1.7 million in the same period last year. For the three months ended September 30, 2012, non-cash working capital decreased by \$0.1 million compared to a decrease of \$0.03 million in the same period last year. The decrease of \$0.1 million reflects a decrease in amounts receivable, prepaids and deposits (\$0.3 million) partially offset by a decrease in accounts payable and accrued liabilities (\$0.2 million). For the three months ended September 30, 2012, cash used in operating activities was \$1.4 million compared to cash used in operating activities of \$1.7 million for the three months ended September 30, 2011.

For the nine months ended September 30, 2012, cash used in operating activities, prior to changes in non-cash working capital, was \$5.5 million compared to \$4.9 million in the same period last year. The increase in cash used is due primarily to higher general and administrative cash expenditures as outlined above under the "Results of Operations" section. For the nine months ended September 30, 2012, non-cash working capital decreased by \$0.5 million compared to an increase of \$1.5 million in the same period last year. The decrease

of \$0.5 million is due primarily to an increase in accounts payable and accrued liabilities (\$0.2 million) and a decrease in amounts receivable, prepaids and deposits (\$0.2 million). For the nine months ended September 30, 2012, cash used in operating activities was \$5.1 million compared to cash used in operating activities of \$6.5 million for the nine months ended September 30, 2011.

### Investing Activities

For the three months ended September 30, 2012, cash provided by investing activities was \$8.8 million which primarily reflects the net proceeds (\$11.8 million) received from the sale of the net smelter return and interest as outlined below under the "Liquidity" section, partially offset by expenditures on mineral property interests (\$3.0 million). For the three months ended September 30, 2011, cash used in investing activities was \$7.6 million which primarily reflects expenditures on mineral property interests (\$7.0 million).

For the nine months ended September 30, 2012, cash provided by investing activities was \$2.2 million which primarily reflects the net proceeds (\$11.8 million) received from the sale of the net smelter return and interest and net tax credits received (\$2.5 million), partially offset by expenditures on mineral property interests (\$12.0 million). For the nine months ended September 30, 2011, cash used in investing activities was \$20.8 million which primarily reflects expenditures on mineral property interests (\$20.4 million).

### Financing Activities

For the three months ended September 30, 2012, cash provided by financing activities was \$0.04 million which primarily reflects cash proceeds of \$0.05 million from the exercise of 150,000 warrants at \$0.35. For the three months ended September 30, 2011, the only finance activity was minimal principal payments on finance leases.

For the nine months ended September 30, 2012, cash provided by financing activities was \$0.2 million, which primarily reflects cash proceeds of \$0.3 million from the exercise of 800,000 warrants at \$0.35. For the nine months ended September 30, 2011, cash provided by financing activities was \$6.7 million, which reflects net proceeds of \$5.9 million from the January 13, 2011 exercise of the over-allotment option in connection with the initial public offering, cash proceeds of \$0.6 million from the exercise of 1,103,750 warrants at \$0.50, and proceeds of \$0.2 million from the exercise of 600,000 stock options at \$0.35.

For the three months ended September 30, 2012, the net cash provided by operating, investing and financing activities was \$7.4 million compared to net cash used of \$9.3 million in the same period last year. For the nine months ended September 30, 2012, the net cash used as a result of operating, investing and financing activities was \$2.6 million compared to net cash used of \$20.6 million in the same period last year.

### Liquidity

(in thousands of dollars)	September 30, 2012	December 31, 2011
Cash and cash equivalents	\$17,162	\$19,741
Current portion of tax credits receivable	\$7,360	\$10,450
Working capital <sup>1</sup>	\$20,511	\$27,073
Mineral property interests	\$52,805	\$53,539
Total assets	\$81,315	\$86,368
Shareholders' equity	\$69,730	\$76,741

1. Working capital is a measure of current assets less current liabilities

The mineral exploration properties in which the Corporation currently has an interest are in the exploration and evaluation stage and as a result the Corporation has no current source of operating income and is dependent on external financing to fund its continued exploration and development program. Historically, the Corporation's principal sources of funding have been the issuance of equity securities for cash, funds from the government of Quebec with respect to mining credits received based on eligible exploration expenditures, interest income and funds obtained from the exercise of stock options and warrants. On August 1, 2012, the Corporation announced the completion of a \$12 million investment in the Dumont Nickel Project by Ressources Québec Inc., a subsidiary of Investissement Québec. Pursuant to the agreement between RNC and Ressources Québec, the Corporation received \$12 million and Ressources Québec is entitled to receive 0.8% of the net smelter return from the sale of minerals produced from Dumont and received a 2% undivided

co-ownership interest in the property. The Corporation has the right to repurchase, at any time after the fifth anniversary, all or any portion of Ressources Québec's interest for \$10 million for each 0.2% of the net smelter return, to a maximum consideration of \$40 million for the entire interest (including the 2% interest in the property).

The Corporation's credit risk with financial instruments is minimal as, in accordance with the Corporation's investment policy, excess cash is principally invested in short-term deposits and high interest savings accounts at major Canadian chartered banks. In addition, amounts receivable are composed mainly of sales tax receivables from government authorities in Canada.

As at September 30, 2012, the Corporation had working capital of \$20.5 million compared to \$27.1 million as at December 31, 2011. The decrease in working capital as at September 30, 2012 reflects primarily the expenditures on general and administrative activities and continued investment in the Dumont Nickel Project partially offset by proceeds from the sale of the net smelter return and interest and net tax credits received.

Management of the Corporation believes that it has sufficient funds to pay its ongoing general and administrative expenses, to pursue exploration and evaluation activities and to meet its liabilities, obligations and existing commitments for the ensuing twelve months as they fall due. However, to meet the long term business plans of developing the Dumont Nickel Project, which is a key component of the Corporation's financial success, the Corporation will need to raise additional capital in order to fund, amongst other things, additional engineering studies, deposits on long-lead mine equipment, permitting and construction. These funding requirements may be met in the future in a number of ways including, but not limited to, a combination of strategic partnerships, joint venture arrangements, project debt finance, offtake financing and equity financing. While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Corporation or that they will be available on terms which are acceptable to the Corporation.

#### **Capital Resources**

At September 30, 2012, Royal Nickel had \$17.2 million in cash and cash equivalents compared to \$19.7 million as at December 31, 2011. Royal Nickel also has a current tax credit receivable from the Quebec government of \$7.4 million.

The Corporation's financing efforts may be affected by general economic conditions and volatility in the capital and commodity markets.

#### **OUTLOOK**

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The Corporation's current focus is to advance the Dumont Nickel Project through the next phases of feasibility, permitting, construction and operation. The revised PFS announced in May 2012 forms the foundation for the feasibility study and the opportunities identified in the revised PFS, such as the magnetite concentrate by-product, the inclusion of platinum and palladium credits and further mine optimization, will be evaluated during the feasibility study. The feasibility study was officially launched in June 2012 and RNC and the engineering teams continue to make significant progress, anticipating completion by mid-2013. With the appointment of Ausenco and SRK to lead the feasibility study, RNC has maintained the strong experienced team from the pre-feasibility phase, and with the completion of the \$12 million investment by Ressources Québec as well as the addition of a Project Director, RNC remains focused on delivering the milestones and searching for value throughout the feasibility work.

RNC continues to work with the local community and has reconstituted the Community Advisory Group to expand participation and to maintain excellent communications and relationships throughout all phases of the project development. The Community Advisory Group is providing key input into the project development and the ESIA process. The permitting process for the Dumont Nickel Project is ongoing, with the goal to file the final ESIA by the end of 2012. A key focus for the Corporation in 2012 is to secure a project partner and initiate the project debt financing. This process began in early 2012 with the hiring of Rothschild as project finance advisor. The formal partner process began in late June 2012 with an official proposal presented to a number of interested parties throughout Europe and Asia. In September 2012 the Corporation reported that it had received confidential non-binding indicative partnership proposals from potential partners. RNC is

targeting completion of the partner process by early 2013, followed by development of the project debt financing package.

In addition, the Corporation will continue to investigate acquisition opportunities of highly prospective assets, preferably cash-producing, to grow the business in base and platinum group metals. The Corporation will focus on jurisdictions where it believes the risk is manageable.

## RELATED PARTY TRANSACTIONS

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The related party transactions during the three and nine months ended September 30, 2012 and 2011 are as follows:

(in thousands of dollars)	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
<b>Administrative and general expenses</b>				
Consulting fees paid to a director and officer	\$-	\$33	\$11	\$120
	\$-	\$33	\$11	\$120

On June 29, 2012, the Corporation amended the terms of 1,300,000 unlisted warrants, exercisable at \$0.35 per share until July 19, 2012 and held by a corporation controlled by a former director of the Corporation, to add a cashless exercise feature. In July 2012, 150,000 of these warrants were exercised for cash proceeds of \$0.05 million and the remaining 1,150,000 warrants were exercised using the cashless exercise feature. A total of 277,648 shares were issued in connection with the exercise of these warrants.

## CONTRACTUAL COMMITMENTS

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In 2011, the Corporation entered into a sub-lease agreement and a head lease agreement that obligates the Corporation for aggregate rental payments of \$1.3 million for the next four years.

The Corporation is party to certain employment contracts with senior executives. These contracts contain clauses requiring additional payments to be made upon the occurrence of certain events, including contract termination or the change of control of the Corporation.

An annual advance royalty payable of \$5,000 per year commenced in October 2011 as discussed under the section "*The Dumont Nickel Project*".

## CONTINGENCIES

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The Corporation's mining and exploration activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and generally becoming more restrictive. As at November 9, 2012, the Corporation does not believe that there are any significant environmental obligations requiring material capital outlays in the immediate future and anticipates that such obligations will only arise when mine development commences.

Under the agreement dated March 8, 2007 pursuant to which Royal Nickel acquired a 100% interest in the Marbaw Mineral Claims, the Corporation is required to issue 7 million 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.

## **OFF-BALANCE SHEET ARRANGEMENTS**

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As of the date of this MD&A, the Corporation does not have any off balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Corporation, including, and without limitation, such considerations as liquidity and capital resources.

## **PROPOSED TRANSACTIONS**

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There are no proposed transactions of a material nature being considered by the Corporation. However, the Corporation continues to evaluate properties that it may acquire in the future. See “*Outlook*” above.

## **OUTSTANDING SHARE DATA**

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As at November 9, 2012, the Corporation had 90,069,932 Common Shares issued and outstanding.

As at November 9, 2012, the Corporation had the following securities outstanding, which are exercisable for Common Shares:

	<b>Number of Securities</b>	<b>Weighted Average Exercise Price</b>
Stock options	7,213,250	\$1.68
Warrants	11,282,500	\$3.00

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As at November 9, 2012, the Corporation had the following securities outstanding, which are redeemable, at the option of the holder, in cash or common shares:

	<b>Number of Securities</b>
Deferred share units	1,270,124
Restricted share units	1,507,239

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## **DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

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Management is responsible for establishing and maintaining adequate disclosure controls and internal controls over financial reporting. Any system of disclosure controls and internal controls over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. There have been no changes in the Corporation’s disclosure controls and internal controls over financial reporting during the quarter ended September 30, 2012 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS**

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There were no changes to the accounting policies applied by the Corporation to each of the 2012 quarterly unaudited condensed interim financial statements compared to those applied by the Corporation to the financial statements for the year ended December 31, 2011.

## **RISK FACTORS**

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The risk factors are discussed in the Corporation's most recent Annual Information Form on file with Canadian provincial regulatory authorities, available at [www.sedar.com](http://www.sedar.com).