ROYAL NICKEL CORPORATION

(A Development Stage Corporation)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2010

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INTRODUCTION

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 year ended December 31, 2010. This MD&A, which has been prepared as of March 24, 2011, should be read in conjunction with the audited financial statements of the Corporation for the year ended December 31, 2010 together with the notes thereto, the Corporation's Prospectus dated December 9, 2010 and the Corporation's Annual Information Form. Unless otherwise noted, all amounts presented are in Canadian dollars. The audited financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("**GAAP**").

Further information about the Corporation and its business activities, including its audited financial statements, prospectus and Annual Information Form are available at www.sedar.com and on RNC's website at www.royalnickel.com.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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 metals, the estimation of mineral resources, the realization of mineral reserve and 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, 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 Corporation and/or its subsidiaries 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 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 "*Risks and Uncertainties*" in this MD&A. 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

Royal Nickel is a mineral resource company primarily focused on the exploration, development, evaluation and acquisition of mineral properties. The Corporation is currently considered to be in the exploration stage and its 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 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).

Since acquiring the Dumont Nickel Project in 2007, Royal Nickel has undertaken an aggressive exploration 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. 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 (as hereinafter defined) and (ii) production figures from existing nickel sulphide operations compiled by Brook Hunt — a Wood Mackenzie Company, Royal Nickel believes that the Dumont Nickel Project would 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 ("**tpd**") 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 net present value ("**NPV**") of US$488 million from commencement of construction and an after-tax internal rate of return ("**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 years 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$7.50/lb, a Cdn/US$ exchange rate of $0.90 and a discount rate of 10%.

The Corporation 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. 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 statement 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 targeted the following key milestones to achieve the development of the Dumont Nickel Project:

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

(b) completion of a pre-feasibility study late third quarter or early fourth quarter 2011;

(c) placement of long lead orders by mid 2012 or earlier;

(d) completion of feasibility study by late 2012;

(e) receipt of permits by mid 2013;

(f) start of construction by mid 2013; and

(g) project commissioning and ramp-up in 2015.

Royal Nickel expects to fund the exploration 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.

OPERATIONAL REVIEW

The Corporation's immediate focus is to continue to fast track the development of its principal property the Dumont Nickel Project. The Corporation has sufficient cash on hand to fund its committed and discretionary exploration and operating activities for 2011 at current operating levels. See "*Cash Flows, Liquidity and Capital Resources*" below.

Dumont Nickel Project

During 2010, the Corporation focused its activities on completing work required to continue the development of the Dumont Nickel Project including the completion of a Resource Estimation Technical Report on August 30, 2010 and a Preliminary Assessment Technical Report on September 30, 2010, and the initiation of geological and geotechnical data collection, metallurgical testwork and the operation of a mini-pilot plant in support of a pre-feasibility study to be completed in 2011. This work included the following:

i. Extensive infill drilling, 5,400 metres, was conducted on the Dumont Nickel Project for the purpose of upgrading the nickel mineral resource from the inferred category to the measured and indicated categories;

ii. Over 700 samples were collected from core from the Dumont Nickel Project for mineralogical mapping using QEMSCAN (Quantitative Evaluation of Minerals by Scanning electron microscopy). These samples were used to develop the mineralogical deposit model;

iii. Overburden geotechnical drilling, 100 metres, was completed to characterize overburden for pit-wall slope angle determination;

iv. Over 2,700 metres of large diameter (PQ: 85 millimeter) core was recovered at 4 sites to provide representative sample for the metallurgical testwork at the mini pilot plant\Metallurgical test work was conducted by Mineral Solutions Ltd, SGS Minerals Services, Hazen Reseach Inc, Xstrata Process Services and the Centre de Technologie Minerale et de Plasturgie (CTMP) to identify the general characteristics and optimize the processing requirements of the Dumont mineralization;

v. Bench scale testing of 70 ore samples representative of variability within the Dumont Nickel Project deposit using the standard test procedure was completed in 2010;

vi. A mini pilot plant, owned by Mineral Associates Ltd., was commissioned in August 2010 to demonstrate that the laboratory rougher results could be obtained on a continuous scale as well as optimize the process flowsheet, especially the cleaning stages;

vii. Under the direction of RNC personnel, the Mineral Associates mini pilot plant (operating at 20 kg/hr) processed seven different composites, which represented the three mineralization types (sulphide, alloy and mixed) as well as various locations within the deposit;

viii. Characterization of four samples, representing the four identified hardness domains, was completed at Hazen Research. Semi-autogenous (SNG) mill comminution (SMC), JKTech Drop Weight evaluation and unconfined compressive strength (UCS), were performed on each sample;

ix. Further scoping level comminution testing was performed to evaluate both high pressure grinding rolls (HPGR) and dry SAG process using a Macpherson Mill at SGS Minerals;

x. Phase Three of the ongoing environmental baseline study initiated in 2007, was conducted by Genivar Engineering Consultants, and was reported in 2010. The purpose of the study was to continue to collect baseline environmental data at and in proximity to the project site. The ongoing study has revealed no environmental impediment to the development of the Dumont Nickel Project;

xi. In 2010, the Corporation staked 51 additional buffer claims totalling approximately 1,700 hectares at the margins of the Dumont Nickel Project in order to secure mineral tenure over zones of potential infrastructure development; and

xi. The Corporation purchased approximately 260 hectares of strategic surface property rights over the deposit.

Mineral Resources – Dumont Nickel Project

The tonnages and grades for the measured, indicated and inferred Mineral Resource estimates are summarized as follows:

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

Technical Disclosure

Mr. Alger St-Jean, P.Geo, V.P. Exploration of the Corporation, is a Qualified Person as defined under NI 43-101. Mr. St-Jean has reviewed and verified the information contained in this MD&A dated March 24, 2011. All technical disclosure arising from the NI 43-101 reports prepared by Micon International Limited ("**Micon**") was prepared under the supervision of William J. Lewis, P.Geo., Senior Geologist of Micon and a "**Qualified Person**" within the meaning of National Instrument 43-101.

Jefmar and Marbridge Properties

No material exploration work took place on the Marbridge property during the year ended December 31, 2010. No exploration work took place on the Jefmar property during the year ended December 31, 2010, except for Jefmar property claim number 2116146 Lot 8, Rang 6, La Motte Township. Glen Eagle Resources Inc. has completed approximately $116,000 in exploration expenditures on Jefmar claim number 2116146 under an option agreement currently being finalized with RNC whereby Glen Eagle can earn 70% interest in this claim. As at the date of this MD&A, both properties are considered to have longer term potential and Royal Nickel will incur minor expenditures on both properties for 2011 given the current focus on Dumont, with the exception of Jefmar claim number 2116146 .

TRENDS

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 startup 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.

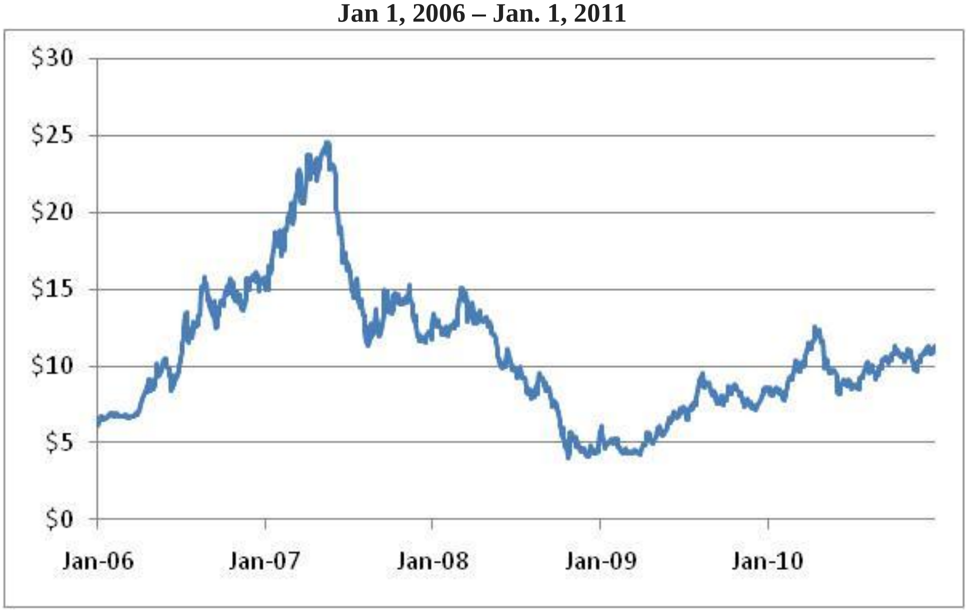
This environment continues to highlight the value of the Dumont Nickel Project with its proposed use of conventional, proven technology in a simple open pit mine/mill operation and its location in the Abitibi region of Quebec, a province which continues to permit mines and one of the top rated mining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

The Nickel Industry

Longer-term nickel supply and demand fundamentals remain strong and favorable in the context of the expected Dumont Nickel Project startup. Brook Hunt reported nickel consumption growth of 13% . 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.

Nickel Prices

LME Cash Nickel Prices US$/lb
Jan 1, 2006 – Jan. 1, 2011



Source: metalprices.com

Nickel primarily trades on the London Metals Exchange (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.

MINERAL EXPLORATION PROPERTIES

The Corporation's exploration activities are at an early stage, and it has not yet been determined whether its properties contain an economic mineral reserve. The principal asset of the Corporation is the Dumont Nickel Project. The Corporation has other exploration assets, consisting of (i) the Jefmar property and (ii) the Marbridge property.

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 Trécesson 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 Nickel Project consists of 138 contiguous mineral claims totalling 5,884.63 hectares. The mineral claims confer the subsurface rights only. Approximately 45% of the surface rights for the property are held privately and the balance is public land. 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.

Mining activity on 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 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.

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 metres 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 International Ltd. Mineral Claims (the "**Griffis Claims**")*

The Griffis Claims are comprised of 24 mineral claims totalling 1,011.37 hectares. 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 International Nickel Corporation Mineral Claims (the "**Marbaw Claims**")*

The Marbaw Claims are comprised of 58 contiguous mineral claims totalling 2,341.10 hectares. This block of claims was originally held by Marbaw International Nickel Corporation ("**Marbaw**"), but a 100% interest in and to the mineral claims was sold and transferred to Royal Nickel, for future consideration, under an agreement dated March 8, 2007.

Future consideration consisted of the following:

(a) the requirement to issue seven million Common Shares to Marbaw upon the property being placed into commercial production or upon transfer of the property to a third party; and

(b) the requirement to pay $1,250,000 to Marbaw on March 8, 2008, which amount has been paid by Royal Nickel.

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 Mineral Claims (the "**Sheridan-Ferderber Claims**")*

The Sheridan-Ferderber Claims are comprised of 6 contiguous mineral claims totalling 256.47 hectares. 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 to the MDDEP in respect of the Sheridan-Ferderber Claims.

*Royal Nickel Claims (the "**Royal Nickel Claims**")*

In March 2009, Royal Nickel staked a contiguous buffer block of 50 mineral claims totalling 2,275.69 hectares to the southwest of the Dumont Nickel Project. In 2010, the Corporation staked 51 additional buffer claims totalling approximately 1,700 hectares 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.

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 pre-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 is estimated to be approximately $29,000,000.

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 ("**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 which produced 702,366 tonnes of ore grading 2.28% Ni and 0.1% Cu over a five year period between 1962 and 1968.

No significant expenditures are anticipated for the project for 2011.

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 (the "**Jefmar Property**") in the La Motte Township, 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% net smelter royalty ("**NSR**") granted to Jefmar. The Corporation 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.

The Jefmar Property is comprised of 14 claims totalling 586 hectares and is located in Lamotte and Figuery townships.

On September 10, 2010 the Corporation entered into a letter agreement with Glen Eagle Resources Inc. 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 full Option and Joint Venture agreement is in the process of being finalized. Glen Eagle Resources Inc. has completed approximately $116,000 in exploration expenditures in 2010 on Jefmar claim number 2116146 under this agreement. Glen Eagle expects to spends a similar amount on the property in 2011.

For the year ended December 31, 2010, no exploration expenditures were incurred on the remainder of the Jefmar property and no significant expenditures are anticipated for the project for 2011.

Executive Changes

On April 1, 2010, Mark Selby was appointed as Senior Vice President, Business Development. Mr. Selby was most recently Vice-President Business Planning and Market Research with Quadra Mining. 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.

On August 9, 2010, Johnna Muinonen was appointed Vice President, Metallurgy. Johnna has 9 years of experience in technical and operating roles with Inco and Vale Inco. She was most recently Project Manager for Vale's large ultramafic nickel project.

On October 18, 2010, Fraser Sinclair was appointed as Chief Financial Officer and Corporate Secretary. Mr. Sinclair was recently Senior Vice President and Chief Financial Officer of Romarco Minerals Inc. Prior thereto he was Vice President Finance and Chief Financial Officer of North American Palladium Ltd.

SELECTED ANNUAL FINANCIAL INFORMATION

The following selected financial data are derived from the audited financial statements of the Corporation for the years ended December 31, 2010, 2009 and 2008.

	2010	**2009**	**2008**
Net loss	($13,000,213)	($7,615,614)	($4,930,045)
Net loss per share (basic and diluted)	($0.21)	($0.13)	($0.09)
Mineral property interests	$35,180,050	$24,397,931	$18,666,384
Total assets	$87,254,211	$39,638,661	$40,169,327
Capital lease obligation	$57,437	$—	$—

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.

RESULTS OF OPERATIONS

Year ended December 31, 2010, compared to year ended December 31, 2009

For the year ended December 31, 2010, the Corporation reported a net loss of $13,000,213 (with basic and diluted loss per share of $0.21). This compares with a net loss of $7,615,614 (with a basic and diluted loss per share of $0.13) for the year ended December 31, 2009. The net loss increase of $5,384,599 was principally due to:

- An increase of $4,314,142 in stock-based compensation for the year ended December 31, 2010, compared to the year ended December 31, 2009. This increase can be attributed primarily to the stock option plan amendment extending the exercise period for most previously issued options outstanding from 5 to 10 years and which amounted to a charge of $3,481,727 and a charge for the year ended December 31, 2010 of $2,675,339 related to the granting of deferred share units and restricted share units. These increases were offset partially by the granting of 701,000 stock options for the year ended December 31, 2010 compared to the granting of 4,174,000 stock options for the year ended December 31, 2009;

- An increase of $678,784 in office and administration expenses for the year ended December 31, 2010, compared to the year ended December 31, 2009. The increase can be attributed principally to increased expenditure on investor relations of $298,522, business development costs of $167,071 and executive recruitment fees of $112,614;

- An increase of $452,116 in professional fees for the year ended December 31, 2010, compared to the year ended December 31, 2009. The increase can be attributed principally to increased audit, tax and other services of $177,895, increased legal costs of $100,273 and increased consultant fees of $162,510;

- A decrease of $202,467 in salaries, severance and management fees for the year ended December 31, 2010, compared to the year ended December 31, 2009. The decrease can be attributed principally to a severance payment of $650,000 to the former President and Chief Executive Officer for the year ended December 31, 2009, partially offset by an increase in directors' fees of $232,000 and higher salaries for the year ended December 31, 2010. Higher salaries for the year ended December 31, 2010 reflect higher staff levels required to support increased activity;

- A decrease of $300,000 in the liquidity entitlement expense (see "*Contractual Commitments*") for the year ended December 31, 2010 compared to the year ended December 31, 2009. The decrease reflects the issuance of 660,000 common shares at an average value of $2.00 per share for the year ended December 31, 2010 compared to the issuance of 720,000 common shares at an average value of $2.25 per share for the year ended December 31, 2009;

- Decreased interest income for the year ended December 31, 2010 of $455,738 compared to the year ended December 31, 2009. The decrease is attributable to interest received at 19% in the amount of $309,401 on a loan to Juno Special Situations Corp. (see "*Related Party Transactions*") for the year ended December 31, 2009 and the Corporation utilizing cash reserves for working capital requirements instead of investing funds in short-term deposits that generate interest income; and

- A decrease of $1,495 in the future income tax recovery for the year ended December 31, 2010, compared to the year ended December 31, 2009. The decrease was primarily attributable to an increase in permanent differences and the recording of a valuation allowance against net future income tax assets.

SUMMARY OF QUARTERLY RESULTS

The Corporation currently defers its exploration expenditures to mineral exploration properties. A summary of selected information for each of the eight most recent quarters is as follows:

	Net (Loss) Income	
Three Months Ended	**Total ($)**	**Per Share ($)**
December 31, 2010	(4,309,153)[1]	(0.07)
September 31, 2010	(1,617,049)	(0.03)
June 30, 2010	(5,688,100)[2]	(0.09)

March 31, 2010	(1,385,911)	(0.02)
December 31, 2009	(1,835,537)	(0.03)
September 30, 2009	(2,395,465)[3]	(0.04)
June 30, 2009	(1,274,890)	(0.02)
March 31, 2009	(2,109,722)	(0.04)

Notes:

(1) The higher than normal loss for the quarter of $4,309,153 is primarily due to an increased stock based compensation charge of $2,575,086, which includes a charge of $484,298 as a result of the December 31, 2010 mark-to-market of deferred share units and restricted share units.

(2) The higher than normal loss for the quarter of $5,688,100 is primarily due to an increased stock-based compensation charge of $4,594,870 which includes a charge of $3,481,727 as a result of a stock option plan amendment extending the exercise period for most previously issued options outstanding from 5 to 10 years.

(3) The higher than normal loss for the quarter of $2,395,465 is primarily due to an increase in the stock-based compensation charge of $792,028 and higher salaries and management fees of $626,236. The increased stock-based compensation charge is due primarily to stock options granted to the incoming President and Chief Executive Officer while higher salaries and management fees reflects a $650,000 severance payment to the former President and Chief Executive Officer.

Three months ended December 31, 2010, compared with three months ended December 31, 2009

The Corporation's net loss totaled $4,309,153 for the three months ended December 31, 2010 (with basic and diluted loss per share of $0.07). This compares with a net loss of $1,835,537 (with basic and diluted earnings per share of $0.03) for the three months ended December 31, 2009. The net loss increase of $2,473,616 was principally due to:

- An increase in stock-based compensation of $1,697,643 for the three months ended December 31, 2010, compared to the three months ended December 31, 2009. The increase is due primarily to a $1,883,673 expense for 534,375 deferred share units, and 702,000 restricted share units granted during the three month period ended December 31, 2010 as well as mark-to-market adjustments as at December 31, 2010 on deferred share unit and restricted share unit grants made in the two previous quarters. No deferred share units or restricted share units were granted in 2009. These increases were offset partially by the granting of 211,000 stock options for the three months ended December 31, 2010, compared to 1,012,000 stock options granted for the three months ended December 31, 2009;

- An increase of $239,975 in office and administration expenses for the three months ended December 31, 2010, compared to the three months ended December 31, 2009. The increase can be attributed principally to increased expenditure on investor relations of $253,195;

- An increase of $117,492 in professional fees for the three months ended December 31, 2010, compared to the three months ended December 31, 2009. The increase can be attributed principally to increased expenditure on consulting fees of $66,509 and increased audit costs of $51,820;

- A decrease of $120,000 in the liquidity entitlement expense for the three month period ended December 31, 2010 compared to the same period in 2009. The decrease reflects the issuance of 120,000 common shares at an average price of $2.00 per share for the three months ended December 31, 2010 compared to the issuance of 180,000 common shares at an average price of $2.00 per share during the same period in 2009; and

- A $488,751 decrease in the future income tax recovery for the three months ended December 31, 2010, compared to the same period in 2009. The change in 2010 was primarily attributable to an increase in permanent differences and the recording of a valuation allowance against net future income tax assets.

For the three months ended December 31, 2010, cash used in operating activities prior to changes in non-cash working capital was $1,576,783 compared to $1,166,981 for the year ended December 31, 2009. The increase is due primarily to an increase in the net loss ($2,473,616) and a lower liquidity entitlement add back ($120,000), offset partially by the higher non-cash add back for stock-based compensation ($1,697,643) and a lower non-cash deduction for future income taxes ($488,751). For the three months ended December 31, 2010, non-cash working capital decreased by $1,208,772 compared to a decrease of $726,160 for the three months ended December 31, 2009. The decrease of $1,208,772 reflects an increase in accounts payable and accrued liabilities ($1,390,867) offset partially by an increase in amounts receivable and prepaids ($182,095). For the three months ended December 31, 2010, cash used in operating activities was $368,011 compared to cash used in operating activities of $440,821 for the three months ended December 31, 2009.

For the three months ended December 31, 2010, total cash used in investment activities was $756,750 which primarily reflects tax credits and mining rights received on mineral properties ($2,549,356) offset by the acquisition of mineral property interests ($1,818,820). For the three months ended December 31, 2009, the total cash used in investment activities was $2,217,442 which primarily reflects the acquisition of mineral property interests ($2,206,534).

For the three months ended December 31, 2010, cash provided by financing activities was $46,820,300, which reflects primarily net proceeds from the December 16, 2010 initial public offering of $41,356,999 and proceeds of $5,000,000 from the issuance of 2,500,000 shares to the Ningbo Sunhu Chem. Products Co. Ltd. For the three months ended December 31, 2009, cash provided by financing activities was $4,365,993 and reflects gross proceeds of $4,706,323 less share issuance costs of $340,330 from two brokered private placements.

For the three months ended December 31, 2010, the net change in cash and cash equivalents as a result of operating, investing and financing activities was a net cash increase of $47,209,039, compared to a net cash increase of $1,707,730 for the three months ended December 31, 2009.

CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash	**Year ended December 31, 2010**	**Year ended December 31, 2009**	**Year ended December 31, 2008**
Cash used in operations prior to changes in working capital	$(4,119,898)	$(2,808,465)	$(1,630,874)
Changes in non-cash working capital	1,050,318	976,385	(2,844,514)
Cash used in operating activities	(3,069,580)	(1,832,080)	(4,475,388)
Cash provided by (used in) investing	(4,834,389)	(5,644,113)	10,729,005
Cash provided by financing	47,767,222	4,365,993	844,467
Increase (decrease) in cash and cash equivalents	$39,863,253	$(3,110,200)	$7,098,084

Operating Activities

For the year ended December 31, 2010, cash used in operating activities prior to changes in non-cash working capital was $4,119,898 compared to $2,808,465 for the year ended December 31, 2009. The increase is due primarily to the increased net loss ($5,384,599), a lower liquidity entitlement add back ($300,000) offset partially by the higher non-cash add back for stock-based compensation ($4,314,142). For the year ended December 31, 2010, non-cash working capital decreased by $1,050,318 compared to decrease of $976,385 for the year ended December 31, 2009. The decrease of $1,050,318 reflects an increase in amounts receivable and prepaids ($433,580) and an increase in accounts payable ($1,483,898). For the year ended December 31, 2010, cash used in operating activities was $3,069,580 compared to cash used in operating activities of $1,832,080 for the year ended December 31, 2009.

Investing Activities

For the year ended December 31, 2010, total cash used in investment activities was $4,834,389 which primarily reflects expenditures on mineral properties ($10,054,763) offset by a decrease in short-term investments ($2,569,004) and tax credits and mining rights received ($2,812,830). For the year ended December 31, 2009, the total cash used in investment activities was $5,644,113 which primarily reflects expenditures on mineral properties ($8,957,556) partially offset by the receipt of tax credits and mining rights ($2,937,909) and the receipt of the Juno Special Situations Corp. ("**Juno**") loan receivable ($500,000) as described under "*Related Party Transactions*".

Financing Activities

For the year ended December 31, 2010, cash provided by financing activities was $47,767,222, which primarily reflects gross proceeds from the December 16, 2010 initial public offering of $45,125,000 less share issuance costs of $3,768,001. In addition, the Corporation received proceeds of $5,000,000 for shares issued to Ningbo Sunhu Chem. Products Co. Ltd. and gross proceeds of $918,125 less share issuance costs of $71,089 from a brokered private placement, proceeds of $320,000 from the exercise of 308,750 stock options, and proceeds of $253,750 from the exercise of 253,750 warrants. For the year ended December 31, 2009, cash provided by financing activities was $4,365,993 and primarily reflects gross proceeds of $4,706,323 less share issuance costs of $515,330 from a brokered private placement in December 2009 and proceeds of $175,000 from the exercise of 500,000 stock options. In October 2010 the Corporation received net proceeds of $1,800,000 from a loan with National Bank of Canada, secured by its 2008 and 2009 Quebec tax credits receivable, repayable upon collection of the Quebec tax credits. The Quebec tax credits were received and the loan was repaid in December 2010.

For the year ended December 31, 2010, the net change in cash and cash equivalents as a result of operating, investing and financing activities was a net cash increase of $39,863,253, compared to a net cash decrease of $3,110,200 for the year ended December 31, 2009.

Liquidity

	As at December 31		
	2010	**2009**	**2008**
Cash and cash equivalents	$47,482,459	$7,619,206	$10,729,406
Short-term investments	$—	$2,569,004	$2,485,371
Working capital(1)	$44,413,028	$13,323,956	$19,074,938
Mineral property interests	$35,180,050	$24,397,931	$18,666,384
Total assets	$87,254,211	$39,638,661	$40,169,327
Shareholders' equity	$81,269,839	$38,466,776	$37,921,419

Note:

(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 stages and as a result the Corporation has no current source of operating income and is dependent on external financing to fund its continued exploration of the Corporation's mineral exploration properties. 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 exploration expenditures, interest income from short-term investments and funds obtained from the exercise of stock options and warrants.

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 at major Canadian chartered banks. In addition, accounts receivable are composed mainly of sales tax receivables from government authorities in Canada.

As at December 31, 2010, the Corporation had working capital of $44,413,028 compared to $13,323,956 as at December 31, 2009. The significant increase in working capital as at December 31, 2010 reflects primarily the successful December 16, 2010 initial public offering that raised net proceeds of $41,356,999. On January 13, 2011, the Corporation announced the exercise of the underwriter's over-allotment options with additional gross proceeds of $6,581,250.

Management anticipates that these funds will be sufficient to meet the Corporation's obligations and budgeted expenditures through December 31, 2011 and into early 2012. 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 fund an anticipated work program of approximately $50,000,000 to reach a full feasibility study. This funding requirement may be met in the future in a number of ways including, but not limited to, the issuance of new debt or equity instruments and the introduction of joint venture partners and/or business combinations. 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 December 31, 2010, Royal Nickel had $47,482,459 in cash and cash equivalents and short-term investments, of which $11,292,023 is restricted pursuant to flow-through financings, compared to $10,188,210 as at December 31, 2009, of which $4,527,441 was restricted pursuant to flow-through financings.

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

OUTLOOK

The Corporation's current focus is to advance the exploration of the Dumont Nickel Project in Quebec. Results for the mini pilot plant testing and optimization studies are targeted to be completed in the second quarter of 2011 and an updated resource estimate is targeted for the third quarter of 2011. The Corporation plans to complete a pre-feasibility study by late third quarter or early fourth quarter of 2011 and to launch the environmental permitting process by the end of the year. RNC will continue to add key personnel to the Corporation as it moves forward through the project phases

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

The related party transactions during the years ended December 31, 2010, 2009 and 2008 are as follows:

	Year ended December 31, 2010	Year ended December 31, 2009	Year ended December 31, 2008
Administrative and general expenses:			
Consulting fees to current director and officer	$139,920	$233,654	$191,827
Consulting fees to a company controlled by a director and officer	$43,749	$—	$—
Consulting fees to a company with deputy Chairman and director in common	$—	$48,424	
	$183,669	$282,078	$191,827
Mineral property:			
Acquisition costs to companies owned by directors of Royal Nickel	$—	$—	$1,250,000
Loan Receivable:			
Loan receivable from a company with deputy Chairman and director in common(1)	$—	$—	$2,500,000

Notes:

(1) The Corporation made a loan in the principal amount of $2,500,000 to Juno on September 22, 2008, which loan was evidenced by a debenture made by Juno in favour of the Corporation having an interest rate of 19% per annum, payable quarterly in arrears. The loan was secured by a pledge of shares in the capital stock of Homeland Energy Group Ltd. held by Juno together with the personal guarantee of Mr. Tom Griffis, deputy Chairman of Royal Nickel. Interest of $309,401 was included in interest income and an amount of $500,000 was repaid for the year ended December 31, 2009.

On September 18, 2009, the Corporation purchased, for cancellation, 1,142,857 of its Common Shares from Griffis, a related party and controlled by Tom Griffis, deputy Chairman of the Corporation, for a total consideration of $2,000,000 (based on $1.75 per Common Share). This resulted in a decrease to Common Shares of $784,000 and a decrease in contributed surplus of $185,598 and an increase in deficit of $1,030,402. In connection with this non-monetary transaction, the proceeds were used by Griffis to settle the loan receivable outstanding of $2,000,000 that has been assigned to Griffis by Juno under a consent, assignment and assumption agreement signed on September 17, 2009.

With the exception of the loan to Juno, related party transactions have occurred in the normal course of operations of the Corporation and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties and did not differ from the arm’s length equivalent value for these services.

CONTRACTUAL COMMITMENTS

The Corporation’s contractual commitments as at December 31, 2010 are as follows:

	Total	1 Year	2 - 3 Year	4 - 5 Year	After 5 Year
Office operating leases	**$173,041**	$111,502	$61,539	$ —	$ —
Capital leases	**$62,000**	$37,200	$24,800	—	—
Total	**$235,041**	**$148,702**	**$86,339**	**$ —**	**$ —**

On February 15, 2007, the Corporation entered into a subscription agreement (the "**Subscription Agreement**") with RAB for sale of 3,000,000 Common Shares. Pursuant to the Subscription Agreement, in the event that the Common Shares issued under this Subscription Agreement were not listed for trading on the TSX, the TSX Venture Exchange, or other similar North American stock exchange by February 28, 2008 (the "**Listing Deadline**"), then the Corporation would issue on the first business day after the Listing Deadline, as "Liquidity Entitlement" for such failure and not as a penalty, an additional number of Common Shares that is equal to two percent (2%) of the number of Common Shares acquired by RAB, without additional consideration. The Corporation continued to issue to RAB an additional number of Common Shares that is equal to two percent (2%) of the number of Common Shares acquired by RAB every thirty days up to December 2010 when the Common Shares were listed for trading on the TSX Exchange.

The Corporation is party to certain executive management contracts. 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 is required starting October 26, 2011 as discussed under the section "*The Dumont Nickel Project*".

CONTINGENCIES

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 March 24, 2011, 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 will issue 7 million Common Shares to Marbaw upon the Dumont Nickel Project being placed into commercial production or upon transfer of the Dumont Nickel Project to a third party.

OFF-BALANCE SHEET ARRANGEMENTS

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

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.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the balance sheet date, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A detailed summary of the Corporation's significant accounting policies is included in Note 2 of the Corporation's annual audited financial statements for the year ended December 31, 2010. Significant areas requiring the use of management estimates include:

- Impairments of long-lived assets;
- Valuation of future income tax assets and liabilities;
- Stock-based compensation and other stock-based payments; and
- Determination of share price for non-monetary and non-routine transactions.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the carrying value of the assets may not be recoverable, as identified by comparing their net book value to the estimated undiscounted future cash flows generated by their use and eventual disposal. As an exploration stage company, examples of applicable events include, but are not limited to, the following: (i) interruptions in exploration activities; (ii) significant deterioration in the availability of financing; and (iii) significant drop in mineral prices. Impairment is measured as the excess of the carrying value over the fair value, determined principally by discounting the estimated net future cash flows expected to be generated from the use and eventual disposal of the related asset. In the event that the Corporation has insufficient information about its mining property interest to estimate future cash flows to test the recoverability of the capitalized costs, the Corporation will test for impairment by comparing the fair value to the carrying amount, without first performing a test for recoverability.

Future Income Tax

The Corporation uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are computed based on differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values, generally using the enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Future income tax assets also result from unused loss carry-forwards and other deductions. Future tax assets are recognized to the extent that they are considered more likely than not to be realized. The valuation of future income tax assets is adjusted, if necessary, by the use of a valuation allowance to reflect the estimated realizable amount.

Stock-Based Compensation and Other Stock-Based Payments

The Corporation records all stock-based compensation and other stock-based payments using the fair value method. Under the fair value method, stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued or liabilities incurred, whichever is more reliably measurable, and are charged to operations over the vesting period with a corresponding credit to contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

The Corporation uses the Black-Scholes model to determine the fair value of options and warrants and a binominal model for compensation options. The main factor affecting the estimates of stock-based compensation and warrants is the stock price expected volatility used. The Corporation currently estimates the estimated volatility of its common shares based on comparable information derived from the trading history of companies in a similar situation to the Corporation taking into consideration the expected life of the options.

Determination of Share Price for Non-Monetary Transactions and Non-Routine Transactions

The Corporation's Board of Directors currently approves all non-routine transactions entered into by the Corporation. Prior to the initial public offering in December 2010, the valuation of non-routine transactions that include non-monetary equity transactions were determined using the share price from the last completed private placement. Subsequent to December 2010, the valuation of non-routine transactions that include non-monetary equity transactions will be determined using the market value on the date the shares are issued or the date the agreement is signed.

CHANGE IN ACCOUNTING POLICIES

During the year ended December 31, 2010, the Corporation adopted the following new accounting policies:

Transaction Costs

Transaction costs related to short-term financial liabilities are recognized as expenses in the statement of loss and comprehensive loss at the time they are incurred.

FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards Implementation Plan

The Canadian Accounting Standards Board has confirmed that IFRS will replace current GAAP for publicly accountable enterprises effective for fiscal years beginning on or after January 1, 2011. The Corporation will report interim and annual financial statements in accordance with IFRS beginning with the quarter ended March 31, 2011. The Corporation's fiscal 2011 interim and annual financial statements will include comparative fiscal 2010 financial statements, adjusted to comply with IFRS.

IFRS Transition Plan

The Corporation is in the process of executing a comprehensive IFRS transition plan and engaged third-party advisors to assist with the planning and implementation of its transition to IFRS. The following summarizes the Corporation's expectations with respect to its IFRS transition plan:

Initial scoping and analysis of key areas for which accounting policies may be impacted by the transition to IFRS.	The Corporation has completed an initial scoping study to identify key areas that may be impacted by the transition to IFRS.
Detailed evaluation of potential changes required to accounting policies, information systems and business processes, including the application of IFRS 1 First-time Adoption of International Financial Reporting Standards.	The Corporation has completed an evaluation of the bulk of the potential changes and plans to complete this evaluation by the end of April 2011.

Final determination of accounting policies and the quantitative impact of adopting IFRS on key line items in the Corporation's financial statements.	During the first quarter of 2011, key IFRS 1 exemption decisions and accounting policies changes were approved by management and presented to the Audit Committee of the Board of Directors. Implementation of these accounting changes and required modifications to internal procedures, controls and systems will be made by the end of May 2011. The implementation will include a revised accounting policy manual and new internal financial reporting policies and controls, which will be monitored by management throughout the implementation process. It also includes the preparation of a January 1, 2010 opening balance sheet and 2010 comparative data under IFRS, with reconciliations from Canadian GAAP. Accordingly, considering the impact on timing of the IPO completed on December 16, 2010, the Corporation's transition status is currently on track with its implementation schedule, which calls for initial reporting under IFRS starting for the forthcoming interim periods and the year ending December 31, 2011. The calculations to measure the impacts on the opening balance sheet are still ongoing; therefore, the Corporation is not able to reliably quantify the impacts expected on its consolidated financial statements for these differences at this time.
Resolution of the accounting policy change implications on information technology, business processes and contractual arrangements...	Based on the analysis performed to date, the Corporation is not expecting its information technology, business processes or contractual arrangements to be significantly impacted.

First-Time Adoption of IFRS

The adoption of IFRS requires the application of IFRS 1 First-time Adoption of International Financial Reporting Standards ("**IFRS 1**"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Corporation's opening IFRS statement of financial position will be consistent with those made when preparing the Corporation's financial statements under current GAAP.

Impact of Adopting IFRS on the Corporation's Financial Statements

The adoption of IFRS will result in some changes to the Corporation's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements. However, based on its evaluation to date, the Corporation does not expect any changes to its accounting policies that would result in material changes to line items within its financial statements.

The following provides a summary of the Corporation's evaluation of potential changes to accounting policies in key areas based on the current standards and guidance within IFRS. This is not intended to be a complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas the Corporation has identified as having the most potential for a significant change. The International Accounting Standards Board has a number of ongoing projects, the outcome of which may have an effect on the changes required to the Corporation's accounting policies on adoption of IFRS. At the present time, however, the Corporation is not aware of any significant expected changes that would affect the summary provided below.

Mineral Property Interests, Exploration and Evaluation Costs (IFRS 6)

Subject to certain conditions, IFRS currently allows an entity to determine an accounting policy that specifies the treatment of costs related to the exploration for and evaluation of mineral properties. The Corporation's current policy for exploration and evaluation costs will be acceptable under IFRS.

Impairment of Assets

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Corporation's accounting policies related to impairment of non-financial assets will be changed to reflect these differences. The Corporation will perform impairment assessments in accordance with IFRS at the transition date.

Share-based Payments (IFRS 2)

In certain circumstances, IFRS requires a different measurement of stock-based compensation related to stock options than current GAAP.

The Corporation's accounting policies related to stock-based payments will be changed to reflect these differences.

Asset Retirement Obligations (Decommissioning Liabilities)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Corporation's accounting policies related to decommissioning liabilities will be changed to reflect these differences.

Property and Equipment

IFRS contains different guidance related to recognition and measurement of property and equipment than current GAAP.

The Corporation does not expect any changes to its accounting policies related to property and equipment that would result in a significant change to line items within its financial statements.

Income Taxes

IFRS contains some different guidance related to recognition and measurement of future (deferred) income taxes. One of those differences relates to accounting for flow-through common shares, for which IFRS does not include the same level of specific guidance provided under current GAAP.

The Corporation has not completed its detailed evaluation of the differences between IFRS and current GAAP related to accounting for income taxes. These differences could require changes to accounting policies that may impact the Corporation's financial statements and require adjustments to future (deferred) income taxes and shareholders' equity.

Impact of Adopting IFRS on the Corporation's Business

The Corporation may be required, during its conversion to IFRS, to make some changes to its accounting systems and business processes. The Corporation anticipates that such changes will be minimal and that its systems and processes can accommodate any necessary minimal changes.

The Board of Directors and Audit Committee have been regularly updated on the progress of the IFRS conversion plan, and are aware of the key aspects of IFRS affecting the Corporation.

The Corporation's first financial statements prepared in accordance with IFRS will be the interim financial statements for the three months ending March 31, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending March 31, 2011, will also include fiscal 2010 financial statements for the comparative period, adjusted to comply with IFRS, and the Corporation's transition date IFRS statement of financial position (as of January 1, 2010).

FINANCIAL INSTRUMENTS

The Corporation is exposed to various financial risks resulting from both its operations and its investment activities. The Corporation's management manages financial risks. The Corporation does not enter into financial instruments agreements, including derivative financial instruments, for speculative purposes. The Corporation's main financial risks exposure and its financial policies are as follows:

Credit Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Corporation's credit risk is primarily attributable to amounts receivable, cash and cash equivalents and short-term investments. Amounts receivable mainly consists of interest receivable from reputable financial institutions, goods and services tax due from the federal and Quebec governments, refundable tax credits from the Quebec Government and receivables from unrelated companies. Management believes that the credit risk concentration with respect to financial instruments included in amounts receivable is minimal. The Corporation periodically monitors the investments it makes and is satisfied with the credit ratings of its financial institutions. The Corporation reduces its risk by maintaining its cash and cash equivalents and short-term investments in financial instruments, guaranteed by and held with Canadian chartered banks and large financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not have sufficient cash resources to meet its financial obligations as they come due. The Corporation's liquidity and operating results may be adversely affected if the Corporation's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Corporation. The Corporation generates cash flow primarily from its financing activities. As at December 31, 2010, the Corporation had a cash and short-term investments balance of $47,482,459 of which $11,292,023 is restricted pursuant to flow-through financings (December 31, 2009 — $10,188,210 of which $4,527,441 was restricted pursuant to flow-through financings) to settle current liabilities of $5,776,828 (December 31, 2009 — $961,886). All of the Corporation's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms with the exception of deferred share units which are redeemable when the participant ceases to be an employee or director of the Corporation and restricted share units which are redeemable on the third anniversary date of the grant. The Corporation regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices.

Interest Rate Risk

The Corporation has cash balances and the Corporation's current policy is to invest excess cash in certificates of deposit or interest bearing accounts with major Canadian chartered banks. As of December 31, 2010, the Corporation had $47,187,520 (December 31, 2009 — $8,500,489) invested in major Canadian chartered banks bearing interest at variable rates (as at December 31, 2009). Sensitivity to a plus or minus 1% change in the rates would affect the reported net income and reported shareholder equity by approximately $470,000.

Foreign Currency Risk

The Corporation's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Corporation's exposure to foreign currency risk is very limited at this time. The Corporation does not hold balances as at December 31, 2010 and December 31, 2009 in foreign currencies which would give rise to exposure to foreign exchange risk.

Fair Value

The carrying values of accounts receivable, accounts payable and accrued liabilities and obligations under capital lease approximate their fair values due to their relatively short periods to maturity.

OUTSTANDING SHARE DATA

As at March 24, 2011, the Corporation had 88,606,203 Common Shares issued and outstanding.

As at March 24, 2011 the Corporation had the following securities outstanding, which are exercisable for Common Shares:

	Number of Securities	Weighted Average Exercise Price
Stock options	7,686,249	$1.80
Warrants	16,406,127	$2.55
Compensation Warrants	374,791	$2.25

As at March 24, 2011, the Corporation had the following securities outstanding, which are redeemable, at the option of the holder, in cash or common shares:

	Number of Securities
Deferred share units	1,079,167
Restricted share units	802,000

RISKS AND UNCERTAINTIES

The risks and uncertainties are discussed within the Corporation's Annual Information Form on file with Canadian provincial regulatory authorities.