



**ROYAL NICKEL CORPORATION**

**NOTICE AND  
MANAGEMENT INFORMATION CIRCULAR  
FOR  
ANNUAL AND SPECIAL MEETING  
OF SHAREHOLDERS  
TO BE HELD ON JUNE 14, 2013**

**May 9, 2013**

**ROYAL NICKEL CORPORATION**  
**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that the annual and special meeting (the “**Meeting**”) of shareholders of Royal Nickel Corporation (the “**Corporation**”) will be held at the TSX Gallery Room at 130 King Street West, Toronto, Ontario on June 14, 2013 at 10:00 a.m. (Toronto time), for the following purposes:

1. to receive the audited financial statements of the Corporation for the year ended December 31, 2012, together with the auditors’ report thereon;
2. to elect the directors of the Corporation;
3. to appoint PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Corporation for the ensuing year and to authorize the directors to fix the remuneration to be paid to the auditors;
4. to consider, and if deemed advisable, to pass an ordinary resolution substantially in the form of Resolution #1 set out in Appendix C to the accompanying management information circular, approving amendments to the amending provisions of the Corporation’s share incentive plan;
5. to consider, and if deemed advisable, to pass an ordinary resolution substantially in the form of Resolution #2 set out in Appendix C to the accompanying management information circular, approving unallocated entitlements under the Corporation’s share incentive plan;
6. to consider, and if deemed advisable, to pass an ordinary resolution substantially in the form set out in Appendix D to the accompanying management information circular, confirming the repeal and replacement of the Corporation’s general by-law; and
7. to transact such other business as may properly come before the Meeting or any postponement or adjournment thereof.

The accompanying management information circular provides additional information relating to the matters to be dealt with at the Meeting and forms part of this notice.

If you are not able to be present at the Meeting, please exercise your right to vote by signing and returning the enclosed form of proxy, if by mail or delivery, to Computershare Investor Services Inc. at 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1, Attention: Proxy Department, or by facsimile to (416) 263-9524 or 1-866-249-7775 so as to arrive not later than 10:00 a.m. (Toronto time) on the second business day preceding the date of the Meeting or any postponement or adjournment thereof. The time limit for the deposit of proxies may be waived by the chairman of the Meeting at his discretion, without notice. You may also vote by telephone or via the Internet by following the instructions on the form of proxy. If you vote by telephone or via the Internet, completion or return of the proxy form is not needed. If you execute the form of proxy you may still attend the Meeting. Only registered shareholders and duly appointed proxyholders may vote in person at the Meeting.

**BY ORDER OF THE BOARD**

*(signed) Tyler Mitchelson*

Toronto, Ontario  
May 9, 2013

Tyler Mitchelson  
President, Chief Executive Officer and Director

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## ROYAL NICKEL CORPORATION

### MANAGEMENT INFORMATION CIRCULAR

#### GENERAL PROXY INFORMATION

##### Solicitation of Proxies

This management information circular (this “Circular”) is furnished in connection with the solicitation by management of Royal Nickel Corporation (“Royal Nickel” or the “Corporation”) of proxies to be used at the annual and special meeting (the “Meeting”) of the shareholders of the Corporation to be held in the TSX Gallery Room at 130 King Street West, Toronto, Ontario on June 14, 2013, at 10:00 a.m. (Toronto time), and at all postponements or adjournments thereof, for the purposes set forth in the notice of the Meeting that accompanies this Circular (the “Notice of Meeting”). It is expected that the solicitation will be made primarily by mail but proxies may also be solicited personally by directors, officers or regular employees of the Corporation. Such persons will not receive any extra compensation for such activities. The Corporation may also retain, and pay a fee to, one or more proxy solicitation firms to solicit proxies from the shareholders of the Corporation in favour of the matters set forth in the Notice of Meeting. The total cost of the solicitation will be borne directly by the Corporation.

##### Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are directors of the Corporation. **A shareholder has the right to appoint a person (who need not be a shareholder of the Corporation) other than the persons specified in such form of proxy to attend and act on behalf of such shareholder at the Meeting.** Such right may be exercised by striking out the names of the persons specified in the form of proxy, inserting the name of the person to be appointed in the blank space provided in the form of proxy, signing the form of proxy and returning it in the manner set forth in the form of proxy.

A shareholder who has given a proxy may revoke it (i) by depositing an instrument in writing, including another completed form of proxy, executed by such shareholder or shareholder’s attorney authorized in writing either at the registered office of the Corporation at any time up to and including the last business day preceding the date of the Meeting or any adjournment thereof, or with the chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting or any adjournment thereof, or (ii) in any other manner permitted by law.

##### Exercise of Discretion

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed by proxy on any ballot that may be called for in accordance with the instructions contained therein. If the shareholder specifies a choice with respect to any matter to be acted upon, the shares will be voted accordingly. **In the absence of such specifications, such shares will be voted FOR each of the matters referred to herein.**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments to or variations of matters identified in the Notice of Meeting and with respect to other matters, if any, which may properly come before the Meeting. At the date of the Circular, management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting. However, if any other matters that are not now known to management should properly come before the

Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxy.

### **Advice to Beneficial Holders of Common Shares**

**The information set forth in this section is of significant importance to many holders of common shares, as a substantial number of shareholders do not hold common shares in their own name.** Shareholders who do not hold their common shares in their own name (referred to herein as “**Beneficial Shareholders**”) should note that only proxies deposited by shareholders whose names appear on the records of the Corporation as the registered holders of common shares can be recognized and acted upon at the Meeting. If common shares are listed in an account statement provided to a shareholder by a broker, then, in almost all cases, those common shares will not be registered in the shareholder’s name on the records of the Corporation. Such shares will more likely be registered under the name of the shareholder’s broker or an agent of that broker. More particularly, a person is a Beneficial Shareholder in respect of common shares which are held on behalf of that person but which are registered either: (a) in the name of an intermediary that the Beneficial Shareholder deals with in respect of the common shares (intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (b) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc. (“**CDS**”)), of which the intermediary is a participant. In Canada, the vast majority of such shares are registered under the name of CDS, which acts as nominee for many Canadian brokerage firms. Common shares held by brokers or their nominees can only be voted upon the instructions of the Beneficial Shareholder. Without specific voting instructions, brokers and their nominees are prohibited from voting common shares held for Beneficial Shareholders. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their common shares are communicated to the appropriate person or that the common shares are duly registered in their name.**

Applicable Canadian securities regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders’ meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their common shares are voted at the Meeting.

In Canada, the majority of brokers now delegate responsibility for obtaining voting instructions from Beneficial Shareholders to Broadridge Investor Communication Solutions (“**Broadridge**”). Broadridge typically supplies a voting instruction form and asks Beneficial Shareholders to return the completed forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of common shares to be represented at the Meeting. **A Beneficial Shareholder receiving such a form from Broadridge cannot use that form to vote common shares directly at the Meeting. The form must be returned to Broadridge well in advance of the Meeting in order to have the common shares voted.**

In addition, the Corporation has decided to take advantage of certain provisions of applicable securities regulatory requirements that permit it to deliver meeting materials directly to non-objecting beneficial owners. These materials are being sent to both registered and non-registered owners of common shares. If you are a Beneficial Shareholder, and the Corporation or its agent has sent these materials directly to you, your name and address and information about your holdings of common shares have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding the common shares on your behalf. By choosing to send these materials to you directly, the Corporation (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. As a result, you can expect to receive a scannable

voting instruction form (“**VIF**”) from the Corporation’s transfer agent, Computershare Investor Services Inc. (the “**Transfer Agent**”). These VIFs are to be completed and returned to the Transfer Agent in the envelope provided. In addition, the Transfer Agent provides both telephone voting and Internet voting as described on the VIF. The Transfer Agent will tabulate the results of the VIFs received and will provide appropriate instructions at the Meeting with respect to the common shares represented by the VIFs they receive.

### **Record Date**

The directors have fixed April 30, 2013, as the record date for the determination of shareholders entitled to receive notice of the Meeting. Only shareholders of record on such record date are entitled to vote at the Meeting.

### **Voting Securities and Principal Holders Thereof**

The Corporation is authorized to issue an unlimited number of common shares and an unlimited number of special shares, issuable in series. As of April 30, 2013, there were 94,112,311 common shares and nil special shares of the Corporation issued and outstanding. Each holder of common shares as of the record date is entitled to one vote in respect of each common share held by such holder.

To the knowledge of the directors and executive officers of the Corporation, based on publicly available information as of April 30, 2013, RAB Special Situations (Master) Fund Limited beneficially owns 15,851,300 common shares, which is approximately 17% of the outstanding common shares. To the knowledge of the directors and executive officers of the Corporation, based on publicly available information as of April 30, 2013, no other person beneficially owns, or controls or directs, directly or indirectly, common shares carrying 10% or more of the voting rights attached to common shares of the Corporation.

### **Interest of Certain Persons in Matters to be Acted Upon**

Management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership of common shares or otherwise, of any director or executive officer of the Corporation at any time since the beginning of the Corporation’s last financial year, of any proposed nominee for election as a director of the Corporation, or of any associate or affiliate of any such person, in any matter to be acted upon at the Meeting (other than the election of directors and the approval of unallocated entitlements under the Share Incentive Plan).

### **Information Incorporated by Reference**

This Circular incorporates by reference information disclosed in the annual information form of the Corporation dated March 26, 2013 (the “**Annual Information Form**”), which is available on SEDAR at [www.sedar.com](http://www.sedar.com). Upon request, the Corporation will promptly provide a copy of the Annual Information Form free of charge to a shareholder of the Corporation.

## BUSINESS OF THE MEETING

### Election of Directors

#### *Management Nominees*

At the Meeting, it is proposed that the seven directors whose names are set forth below be elected to the board of directors of the Corporation (the “**Board**”). Each nominee for election as a director is currently a director of the Corporation. All directors elected will hold office until the next annual meeting of shareholders of the Corporation or until their successors are elected or appointed.

On November 9, 2012, the Board approved in principle the adoption of a majority voting policy relating to the election of directors and on March 26, 2013, the Board adopted a majority voting policy. The policy stipulates that if a director nominee receives a greater number of votes withheld for his or her election than votes for his or her election, the nominee will submit his or her resignation promptly after the Meeting. Within 90 days of the Meeting, the Corporate Governance and Nominating Committee will make a recommendation to the Board, and the Board’s decision to accept or reject the resignation offer will be disclosed to the public. Subject to certain exceptions, the nominee will not participate in any committee or Board deliberations on the resignation offer. The Corporation is entitled to nominate only those candidates for election or re-election as directors who agree, prior to their nomination, to tender their resignations in accordance with the terms of the policy. Each of the proposed nominees listed in the table below has agreed to comply with the terms of the policy. A complete copy of the policy is attached as Appendix B.

Unless the shareholder has specified in the enclosed form of proxy that the common shares represented by such proxy are to be withheld from voting for one or more nominees in the election of directors, the persons named in the enclosed form of proxy intend to vote **FOR** the election of each of the nominees whose names are set forth below.

The following table sets forth with respect to each of the persons proposed to be nominated for election as directors the name; province/state and country of residence; the present principal occupation, business or employment; a brief biographical description; the date on which the person became a director of the Corporation; the person’s independence as a member of the Board; committee membership; attendance at meetings of the Board; the number of common shares of the Corporation beneficially owned, or controlled or directed, directly or indirectly; the number of stock options and other share-based awards held, all as at the date hereof.

For additional information regarding compensation of each of the nominees, please see “Statement of Executive Compensation – Director Compensation”.

Nominees for Election as Directors	Number of Common Shares <sup>(1)</sup>	Number of Options <sup>(2)</sup>	Number of Awards <sup>(3)</sup>
PETER GOUDIE New South Wales, Australia Director since July 17, 2008 Independent Committee membership: Audit Committee; Compensation Committee Board meetings attended in 2012: 86% (6 of 7)	555,850	350,000	69,000 DSUs 52,000 SARs
Mr. Goudie was Executive Vice President (Marketing) of Inco and then Vale from January 1997 to February 2008. Mr. Goudie was also responsible for the strategy, negotiation, construction and operation of Inco’s joint venture production projects in Asia. He was employed with Inco since 1970 in increasingly more senior accounting and financial roles in Australia, Indonesia, Singapore and Hong Kong, before becoming Managing Director (later President and Managing Director) of Inco Pacific Ltd. in Hong Kong in 1988. He is an Australian CPA.			

<b>Nominees for Election as Directors</b>	<b>Number of Common Shares<sup>(1)</sup></b>	<b>Number of Options<sup>(2)</sup></b>	<b>Number of Awards<sup>(3)</sup></b>
<p>SCOTT M. HAND Ontario, Canada Director since June 27, 2008 Independent Executive Chairman Committee membership: Corporate Governance and Nominating Committee Board meetings attended in 2012: 100% (7 of 7)</p>	1,500,000	741,250	521,343 DSUs 78,000 SARs
	<p>Mr. Hand is the Executive Chairman of the Corporation, a position held since November 2009, and a director of Manulife Financial Corporation, Legend Gold Corp., Chinalco Mining Corporation International and the World Wildlife Fund Canada. Mr. Hand was the Chairman and Chief Executive Officer of Inco from April 2002 until he retired from Inco in January 2007. Prior to that, Mr. Hand was President of Inco and held positions in Strategic Planning, Business Development and Law. Mr. Hand received a Bachelor of Arts from Hamilton College and a Juris Doctorate from Cornell University.</p>		
<p>PETER C. JONES Alberta, Canada Director since November 17, 2008 Independent Committee membership: Audit Committee; Corporate Governance and Nominating Committee; Health, Safety and Environment Committee Board meetings attended in 2012: 100% (7 of 7)</p>	62,250	350,000	69,000 DSUs 52,000 SARs
	<p>Mr. Jones is a director of a number of companies including Century Aluminum Company and Concordia Resources Corp. Prior to 2007 he was President, Chief Operating Officer and a director of Inco, and before that President and Chief Executive Officer of Hudson Bay Mining and Smelting Co. Ltd. Mr. Jones has over 40 years of international mining experience.</p>		
<p>FRANK MARZOLI Quebec, Canada Director since May 11, 2007 Independent Committee membership: Corporate Governance and Nominating Committee; Health, Safety and Environment Committee Board meetings attended in 2012: 100% (7 of 7)</p>	4,757,500 <sup>(4)</sup>	350,000	69,000 DSUs 52,000 SARs
	<p>Mr. Marzoli is the President, Chief Executive Officer and Chairman of Marbaw International Nickel Corporation, a position held since December 2006. He is also the President, Chief Executive Officer and sole director of Marzcorp Oil &amp; Gas Inc. since July 2008. Marbaw held a 100% interest in the Marbaw Claims, which were sold to Royal Nickel in March 2007. In 1971, Mr. Marzoli joined the import business specializing in Asian countries. In 2004, Mr. Marzoli left the import business to pursue the resource sector full time.</p>		
<p>GILLES MASSON Quebec, Canada Director since August 15, 2007 Independent Committee membership: Audit Committee; Compensation Committee Board meetings attended in 2012: 100% (7 of 7)</p>	100,000	350,000	69,000 DSUs 52,000 SARs
	<p>Mr. Masson is a director of Malaga Inc., Semafo Inc. and EACOM Timber Corporation. Mr. Masson worked for PricewaterhouseCoopers LLP from June 1969 until December 2005 when he retired as a partner in the auditing department. Over the course of his 36-year career, his clientele consisted of large national and international corporations operating in diverse fields. He has vast experience in the auditing of public corporations as well as in-depth knowledge of GAAP. His knowledge and experience also extend to regulations applicable to the presentation of financial information by public corporations. He is a certified director by the Institute of Corporate Directors. He obtained a Bachelor in Commerce in 1969 and a diploma in General Accounting in 1971 from the École des hautes études commerciales de Montréal. He has been a member of the Ordre des comptables agréés du Québec since 1972.</p>		
<p>TYLER MITCHELSON Ontario, Canada Director since September 17, 2009 Not independent Committee membership: N/A Board meetings attended in 2012: 100% (7 of 7)</p>	85,000	1,115,000	970,925 RSUs 200,000 SARs
	<p>Mr. Mitchelson is the President and Chief Executive Officer of the Corporation, a position held since October 2009. Mr. Mitchelson was previously Vice President, Strategy, Business Planning and Brownfield Exploration with Vale. From 1995 to 2006, he worked for Inco in various financial and planning roles in the operations in Thompson, Manitoba, Sorowako, Indonesia and Sudbury, Ontario. Mr. Mitchelson earned his Chartered Accountant designation while working for PricewaterhouseCoopers LLP (formerly Price Waterhouse) from 1991 to 1995. He is a member of the Institute of Chartered Accountants of Ontario and holds a Bachelor of Commerce (honours) degree from the University of Manitoba.</p>		



Nominees for Election as Directors	Number of Common Shares <sup>(1)</sup>	Number of Options <sup>(2)</sup>	Number of Awards <sup>(3)</sup>
DARRYL SITTLER Ontario, Canada Director since September 17, 2009 Independent Committee membership: Compensation Committee; Health, Safety and Environment Committee Board meetings attended in 2012: 86% (6 of 7)	50,000	350,000	69,000 DSUs 52,000 SARs
Mr. Sittler is a former National Hockey League player and a 1989 inductee to the Hockey Hall of Fame. Mr. Sittler is a self-employed businessman in the areas of public relations, community relations and team building. Mr. Sittler is an Ambassador of Maple Leaf Sports and Entertainment and a director of Wallbridge Mining Company Limited, Miocene Metals Ltd. and Frontline Gold Corporation. Mr. Sittler is a certified director by the Institute of Corporate Directors.			

**Notes:**

- (1) The information as to the number of common shares beneficially owned, or controlled or directed, directly or indirectly, by the directors, including those which are not registered in their names and not being within the knowledge of the Corporation, has been furnished by such directors.
- (2) For additional information regarding options held by directors, please see “Statement of Executive Compensation – Director Compensation”.
- (3) For additional information regarding awards held by directors, please see “Statement of Executive Compensation – Director Compensation”.
- (4) Held through Marbaw International Nickel Corporation, of which Mr. Marzoli is President, CEO and Chairman.

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

Scott Hand was a director of Royal Coal Corp. On May 9, 2012, a cease trade order was issued against Royal Coal Corp. for failure to file annual financial statements and related documents for the year ended December 31, 2011.

*Shareholder Nominees*

Pursuant to section 5.10 of the Corporation’s By-Law No. 2 (the “**Advance Notice By-Law**”), nominations by shareholders for the election of directors at the Meeting (other than nominations by shareholders pursuant to a shareholder proposal or a requisitioned meeting), are to be received by the Corporation on or before May 15, 2013.

**Appointment of Auditors**

The auditors of the Corporation are PricewaterhouseCoopers LLP, Chartered Accountants, who were first appointed as auditors of the Corporation on May 25, 2009.

Unless the shareholder has specified in the enclosed form of proxy that the common shares represented by such proxy are to be withheld from voting in the appointment of auditors, the persons named in the enclosed form of proxy intend to vote **FOR** the appointment of PricewaterhouseCoopers LLP, as auditors of the Corporation to hold office until the next annual meeting of shareholders, and to authorize the directors to fix the remuneration of the auditors.

Disclosure of fees received by PricewaterhouseCoopers LLP and its affiliates from the Corporation for the financial years ended December 31, 2012, and December 31, 2011, is set out under the heading “Audit Committee Information – External Audit Fees” in the Corporation’s Annual Information Form which is available on [www.sedar.com](http://www.sedar.com).

## **Approval of Amendments to Share Incentive Plan**

On June 3, 2010, prior to the Corporation's initial public offering, the Corporation's shareholders approved the 2010 Share Incentive Plan, which has since been amended and restated from time to time (the "**Share Incentive Plan**").

In the most recent amendment and restatement of the Share Incentive Plan by the Board, the Board approved, among other things, amendments to the amending provisions (Section 22) of the Share Incentive Plan that for the most part clarify the meaning of the provisions. Reference is made to "Statement of Executive Compensation – Incentive Plan Awards – Share Incentive Plan" for a description of the amendments proposed. The Share Incentive Plan set out in Exhibit 1 to Appendix C reflects the proposed changes to Section 22. As amendments to the amending provisions of the Share Incentive Plan require shareholder approval, at the Meeting, shareholders will be asked to consider and, if deemed advisable, to pass an ordinary resolution substantially in the form of Resolution #1 set out in Appendix C (the "**Share Incentive Plan Resolution #1**") approving the amendments to Section 22 of the Share Incentive Plan. To be effective, Share Incentive Plan Resolution #1 must be approved by at least a majority of the votes cast at the Meeting. If Share Incentive Plan Resolution #1 is not approved by shareholders, Section 22 of the Share Incentive Plan will remain as is prior to the amendment.

The Board recommends to shareholders of the Corporation that they vote **FOR** Share Incentive Plan Resolution #1.

Unless the shareholder has specified in the enclosed form of proxy that the common shares represented by such proxy are to be voted against Share Incentive Plan Resolution #1, the persons named in the enclosed form of proxy intend to vote **FOR** Share Incentive Plan Resolution #1.

## **Approval of Unallocated Entitlements under Share Incentive Plan**

Because the Share Incentive Plan is an "evergreen" plan, the Corporation is required to obtain shareholder approval of unallocated entitlements under the Share Incentive Plan every three years. As the three-year period prescribed by the TSX will expire on June 14, 2013, an ordinary resolution substantially in the form of Resolution #2 set out in Appendix C (the "**Share Incentive Plan Resolution #2**") will be placed before shareholders at the Meeting to approve unallocated entitlements under the Share Incentive Plan (regardless of whether or not the amending provisions of the Share Incentive Plan are amended with the passage of Share Incentive Plan Resolution #1). This approval will be effective for three years from the date of the Meeting. To be effective, Share Incentive Plan Resolution #2 must be approved by at least a majority of the votes cast at the Meeting. If Share Incentive Plan Resolution #2 is not approved by shareholders, options and awards that have not been allocated as of June 14, 2013 and options and awards that are outstanding as of June 14, 2013 but are subsequently cancelled, terminated or exercised will not be available for new grants. However, previously allocated options and awards will continue to be unaffected by the approval or disapproval of Share Incentive Plan Resolution #2. Moreover, the Corporation will not be prohibited from granting incentives based on the performance of the Corporation's common shares, so long as such incentives are settled in cash only.

The Board recommends to shareholders of the Corporation that they vote **FOR** Share Incentive Plan Resolution #2.

Unless the shareholder has specified in the enclosed form of proxy that the common shares represented by such proxy are to be voted against Share Incentive Plan Resolution #2, the persons named in the enclosed form of proxy intend to vote **FOR** Share Incentive Plan Resolution #2.

## Repeal and Replacement of the Corporation's General By-Law

### *Background*

Under the provisions of the *Canada Business Corporations Act* (the “**CBCA**”), subject to the constating documents of the Corporation, the directors are empowered to make, amend or repeal any by-laws that regulate the business or affairs of the Corporation. The Corporation has recently undertaken a review of its existing general by-law, By-Law No. 1, which was adopted in 2006 before the Corporation completed its initial public offering. The directors have determined that it is in the best interests of the Corporation to update its by-law to reflect changes to the CBCA and to modernize the Corporation's by-law and that the most effective method of achieving this is to repeal By-Law No. 1 and adopt a new general by-law, By-Law No. 2 (the “**By-Law Repeal and Replacement**”). The key features of By-Law No. 2 include:

- *Elimination of duplication and inconsistencies.* Prior to the By-Law Repeal and Replacement, the Corporation's by-laws replicated many provisions of the CBCA. Because the CBCA is amended from time to time, over time, certain provisions of these by-laws became outdated and inconsistent with the CBCA. In contrast, By-Law No. 2 is streamlined so as not to repeat matters already prescribed by the CBCA.
- *An increased quorum requirement for shareholder meetings.* Prior to the By-Law Repeal and Replacement, quorum for a meeting was two shareholders present in person or represented by proxy. This has been increased, subject to an exception that will allow the Corporation to deal with certain procedural matters with a lower quorum, to two persons present in person or represented by proxy who hold or represent by proxy not less than 10% of the shares issued and outstanding as of the record date for the meeting.
- *Advance notice requirements.* These requirements mandate advance notice of director nominations from shareholders. Their purpose is to ensure that an orderly nomination process is observed, that shareholders are well-informed about the identity, intentions and credentials of director nominees and that shareholders vote in an informed manner after having been afforded reasonable time for appropriate deliberation. See “Advance Notice Requirements” below.

The foregoing is a summary only and does not set out all of the terms of By-Law No. 2 or differences between By-Law No. 1 and By-Law No. 2. The foregoing is qualified in its entirety by the full text of By-Law No. 2, which is set out as Exhibit 1 to Appendix D of this Circular.

The By-Law Repeal and Replacement was approved by the Board on March 26, 2013 and became effective on that date. If the By-Law Repeal and Replacement is approved by shareholders at the Meeting, it will continue to be effective and in full force and effect at, and following, the Meeting. If the By-Law Repeal and Replacement is not approved by shareholders at the Meeting, it will terminate and be of no further force or effect at, and following, the Meeting and By-Law No. 1 will again become the general by-law of the Corporation.

### *Advance Notice Requirements*

Among other things, By-Law No. 2 fixes a deadline by which shareholders must provide notice to the Corporation of nominations for election to the Board. The notice must include all information that would be required to be disclosed in a dissident proxy circular in connection with the solicitations of proxies for the election of directors under applicable corporate and securities laws relating to the shareholder making the nominations (as if such shareholder were a dissident soliciting proxies) and each person that such

shareholder proposes to nominate for election as a director. In addition, the notice must provide information as to the shareholdings of the shareholder making the nominations, confirmation that the proposed nominees meet the qualifications of directors and residency requirements imposed by corporate law, and confirmation as to whether each proposed nominee is independent for the purposes of National Instrument 52-110. The deadline by which the notice must be delivered to the Corporation is set forth in the table below.

Meeting Type	Nomination Deadline
Annual meeting of shareholders	Either (a) no fewer than 30 days and no more than 65 days prior to the date of the meeting or (b) no more than 10 days after the date of the first public filing or announcement of the date of the meeting, if the meeting is called for a date that is fewer than 50 days after the date of such public filing or announcement.
Special meeting of shareholders (which is not also an annual meeting)	No more than 15 days after the date of the first public filing or announcement of the date of the meeting.

### *Proposed Resolution and Board's Recommendation*

At the Meeting, shareholders will be asked to consider and, if deemed advisable to pass an ordinary resolution substantially in the form set out in Appendix D (the “**By-Law Resolution**”) approving the By-Law Repeal and Replacement. To be effective, the By-Law Resolution must be approved by at least a majority of the votes cast at the Meeting.

The Board has unanimously approved By-Law Repeal and Replacement and recommends to shareholders of the Corporation that they vote **FOR** the By-Law Resolution.

Unless the shareholder has specified in the enclosed form of proxy that the common shares represented by such proxy are to be voted against the By-Law Repeal and Replacement, the persons named in the enclosed form of proxy intend to vote **FOR** the By-Law Resolution.

## STATEMENT OF EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### *Background*

The Corporation was incorporated on December 13, 2006, and completed its initial public offering on December 16, 2010. The Corporation is a mineral resource company primarily focused on the exploration, evaluation, development and acquisition of mineral properties. Currently, the Corporation's principal asset and sole material property is the Dumont Nickel Project, strategically located in the established Abitibi mining camp, 25 km northwest of Amos, Quebec, Canada. In addition, the Corporation holds certain other properties. Disclosure of the Corporation's properties is set out under the heading “Description of the Business” in the Corporation's Annual Information Form, which is available on [www.sedar.com](http://www.sedar.com).

This Compensation Discussion and Analysis provides information regarding all significant elements of compensation paid, payable, granted, given or otherwise provided by the Corporation to (i) Tyler Mitchelson, the President and Chief Executive Officer, (ii) Fraser Sinclair, Chief Financial Officer, (iii) Mark Selby, Senior Vice President, Business Development, (iv) Alger St-Jean, Vice President, Exploration, and (v) Johnna Muinonen, Vice President, Operations (collectively, the “**Named Executive Officers**” or “**NEOs**”).

### *Role of Compensation Committee*

The compensation program of the Corporation is administered by the Board with the assistance of the Compensation Committee. The Corporation's Compensation Committee consists of three directors, being Mr. Peter Goudie, as chairman, and Messrs. Masson and Sittler. All members of the Compensation Committee are independent directors of the Corporation. The Board, with the assistance of the Compensation Committee, reviews and makes decisions in respect of compensation matters relating to senior executives and directors of the Corporation, ensuring consistent application of matters relating to remuneration, competitive remuneration and policies to attract and retain talent and ensuring that executive remuneration is consistent with industry standards.

The responsibilities of the Compensation Committee include assisting the Board with respect to, among other things: (a) developing a compensation philosophy and policies; (b) reviewing and approving goals and objectives relevant to the Chief Executive Officer's compensation, evaluating the performance of the Chief Executive Officer in light of those goals and objectives and making recommendations to the Board for the Chief Executive Officer's compensation based on the evaluation; (c) reviewing and making certain determinations with respect to the compensation of senior executives other than the Chief Executive Officer; (d) making recommendations to the Board with respect to the form of compensation of the directors; and (e) reviewing executive compensation disclosure.

In addition to the Compensation Committee members' general business experience, the following direct experience (and the skills gained from this experience) is also relevant to their responsibilities to make decisions on the suitability of the Corporation's compensation policies and practices.

- *Mr. Goudie.* Mr. Goudie has held a number of management positions throughout his career, certain responsibilities of which involved compensation matters.
- *Mr. Masson.* Mr. Masson is a certified director of the Institute of Corporate Directors. He also serves on an equivalent committee of other public companies and has gained valuable experience in matters pertaining to executive compensation from that role. He has also worked with a professional compensation consultant retained by such public company to design its compensation programs.
- *Mr. Sittler.* Mr. Sittler is a certified director of the Institute of Corporate Directors. He has gained relevant exposure to compensation matters for issuers in the resource sector. Specifically, he has served on the compensation committees (or their equivalents) of Wallbridge Mining Company Limited, Miocene Metals Ltd. and Frontline Gold Corporation.

### *Objectives of the Compensation Program*

Both the Compensation Committee and Board have recognized that the NEOs are critical to achieving the vision and mission of the Corporation with the primary focus being the successful development of Dumont Nickel Project, and that compensation plays an important role in achieving both short-term and long-term objectives that ultimately drive success. In August 2011, the Compensation Committee, on behalf of the Corporation, engaged The Human Well (the "**Compensation Consultant**"), an independent consulting firm with extensive experience in the mining sector, to advise and assist the Corporation in the development of compensation policies and to complete a benchmarking study for executive compensation and directors' remuneration. This included working with the Compensation Committee to identify an appropriate comparator and peer group that would be used for executive compensation benchmarking purposes for 2011 and subsequent periods as the Corporation moves to project development and

operations. The table below sets forth the consideration paid to the Compensation Consultant and other compensation advisors during the two most recently completed financial years.

<b>Fees of Compensation Consultants and Advisors</b>	<b>Year ended Dec 31, 2012</b>	<b>Year ended Dec 31, 2011</b>
Executive Compensation-Related Fees	\$19,482	\$52,570
All Other Fees	-	-

Based on the work completed by the Compensation Consultant, the Compensation Committee developed compensation policies, which were reviewed and approved by the Board, which policies will guide the compensation decisions made by the Compensation Committee and Board. Such policies reflect the Corporation's philosophy regarding executive compensation that it must:

- provide competitive compensation sufficient to attract, retain and motivate high-performing senior executives with the skills necessary to achieve the Corporation's strategy;
- align compensation directly to the achievements of the corporate and personal performance objectives that cascade from the approved strategy;
- encourage execution of goals and objectives in a manner consistent with the Corporation's vision, mission and values; and
- align the interests of senior executives with those of the Corporation's shareholders.

#### *Benchmarking*

The benchmarking study arrived at two comparator or peer groups of companies, representing the companies that the Corporation competes against for talent. The first group consists of 11 development stage mining companies. The criterion for the selection of the first group was development stage companies similar to the Corporation. The key criteria considered were:

- stage of development with projects in the pre-feasibility, feasibility or early construction phase;
- project size similar to the Dumont Project in terms of estimated project capital and throughput;
- level of complexity considering technical, social, political, geographic, financial and commodity factors;
- number of assets, with a focus on single asset companies; and
- market capitalization.

The second group consists of another 11 mining companies, representing the companies that the Corporation expects to be competing against for talent in the next stage of the Corporation's development. In developing compensation levels for the financial year ended December 31, 2012, the Compensation Committee considered the first group of comparator or peer group of companies. The companies included in such first group were as follows: Adriana Resources Inc., Polymet Mining Corp, Duluth Metals Limited, Western Copper and Gold Corporation, General Moly, Inc., New Millennium Iron Corp., Augusta Resources Corporation, Copper Fox Metals Inc., Detour Gold Corporation, Fronteer Gold Inc. (acquired by Newmont Mining Corporation in April 2011) and Nova Gold Canada Inc.

While compensation levels are ultimately based on the best judgment of the Compensation Committee and Board, it was agreed that the compensation policy of the Corporation would be to utilize the 50<sup>th</sup> percentile of the comparator group selected for the year for base salary and the 50<sup>th</sup> to 75<sup>th</sup> percentile for the total compensation of each NEO.

### *Elements of Compensation*

The compensation paid to the NEOs for the financial year ended December 31, 2012, was comprised primarily of the following three components:

#### Base Salary

Base salary is designed to remunerate the NEOs for discharging their duties and responsibilities and therefore takes into account the position and responsibilities of the NEO, previous experience, prior performance and anticipated contribution.

#### Short-term Incentive Compensation

In addition to base salary, the NEOs are eligible to receive an annual bonus based on the achievement of performance objectives. In the case of the Chief Executive Officer, the annual objectives are established by the Compensation Committee based on the Corporation's strategy and key milestones with input from the Executive Chairman of the Board. For the other NEOs, the performance objectives cascade from the Chief Executive Officer's objectives and the Corporation's strategy and key milestones and reflect the individual's position and responsibilities. These objectives are reviewed by the Chief Executive Officer with the Compensation Committee. The target bonus for each NEO is expressed as a percentage of base salary. Each NEO may elect to receive up to 50% of his or her short term incentive in share-based compensation under the Share Incentive Plan. For 2012, the Compensation Committee reviewed the performance of the Chief Executive Officer, with input from the Executive Chairman of the Board, and the performance of the other NEOs, with input from the Chief Executive Officer, based on deliverables against objectives and the manner in which the objectives were achieved. See "Performance Goals" below. Overall, the Compensation Committee determined the NEOs achieved the majority of the objectives in some cases under very challenging circumstances. The share price performance in 2012 was disappointing as the Corporation delivered on its commitments but the impact of very challenging market conditions for junior mining companies resulted in poor share price performance. The Compensation Committee and Board considered all these factors as well as the financial position of the Corporation and the need to retain the key talent in the organization when awarding the annual bonuses outlined below. Despite the fact that the NEOs achieved the majority of their objectives, given current market conditions and general economic climate, the NEOs were awarded only 50% of their target bonuses. As an indication of commitment to the long-term success of the Corporation, each NEO elected to take 50% of his or her annual bonus for 2012 in the form of RSUs, which are described in greater detail below.

#### Long-term Incentive Compensation

Long-term incentives are intended to align the interests of NEOs with the interests of shareholders by motivating NEOs to increase shareholder value over the long-term. Targets for long-term incentives are benchmarked to the market for competitiveness, consider the value of the NEO's contribution to the long-term success of the Corporation and the percentage of compensation that the Compensation Committee determines should be at risk. The award targets are modified based on the performance of the NEOs during the year, corporate performance and the anticipated contribution of the NEO. Long-term incentive compensation may take the form of Options, DSUs, RSUs, SARs and other share based awards under the Share Incentive Plan. For the fiscal year ended December 31, 2012, the NEOs received a grant of

Options, RSUs and SARs. The initial number of Options proposed to be granted to the NEOs were valued using the Black-Scholes method based on the share price at the time of the grant, with a view to providing total compensation in the 50<sup>th</sup> to 75<sup>th</sup> percentile of the comparator group selected for the year. Most of the RSUs granted were granted at the election of each individual to receive 50% of their short-term incentive bonus in share-based compensation and consequently vested immediately, based on the dollar amount of the bonus elected to be taken in the form of RSUs divided by the closing price of the Corporation's common shares on the TSX on the day prior to the grant date. The SARs were granted as performance-based incentive awards to encourage the NEOs to achieve specific milestones within a fixed period of time. Subject to certain exceptions relating to a change of control or termination of employment, each SAR granted will vest upon (a) the successful completion of a strategic or equity partner transaction or series or combination of transactions that provides for a significant portion of the equity component of the overall financing for the Dumont Nickel Project, provided that such transaction or transactions occur on or before December 14, 2015; and (b) approval by the Compensation Committee of the redemption of the SARs based on the Corporation's financial condition, project status and overall market conditions. In the event that the condition in (a) is not met on or before December 14, 2015, the SARs will be cancelled. In the event that the condition in (a) is met on or before December 14, 2015, but the condition in (b) is not met prior to December 14, 2022, the SARs will be redeemed on December 14, 2022. The SARs are cash-settled only.

#### Performance Goals

The key objectives of the NEOs for 2012 focused on achieving key milestones to move the Dumont Project forward, strengthening the team for the next phases of the project, developing the business practices, including investor relations, and development and execution of a financing strategy for the next phases of the project.

The Corporation also provides basic perquisites and benefits to its NEOs such as medical, dental, life insurance and disability plans. All of the NEOs have termination and change of control provisions in their employment agreements. The Corporation does not provide for any pension plan.

For additional information regarding Options and Awards, please see "Incentive Plan Awards – Share Incentive Plan".

#### Risks Associated with the Corporation's Compensation Policies and Practices

The Compensation Committee considers the implications of the risks associated with the Corporation's compensation policies and practices. The Compensation Committee concluded that the Corporation has policies and practices to ensure that the NEOs do not have incentives to take inappropriate or excessive risks, including the following:

- an appropriate mix of fixed and variable compensation, and an appropriate weighting of securities-based compensation;
- quantitative and qualitative metrics are used to determine the amount of awards to NEOs pursuant to the Corporation's Share Incentive Plan;
- there is a comprehensive Code of Conduct and a Whistleblower policy that encourages reporting of imprudent corporate behaviour; and
- the Compensation Committee is comprised entirely of independent directors.

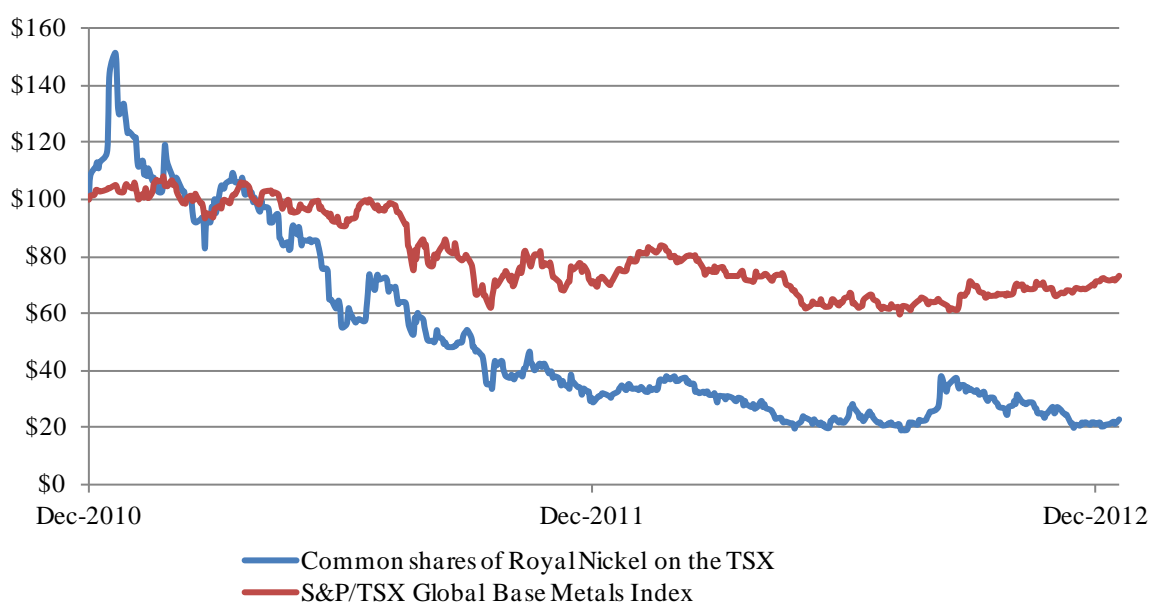


### NEO Purchases of Financial Instruments

Pursuant to the terms of the Corporation's insider trading policy, personnel, including NEOs and directors, are prohibited from selling securities of the Corporation short or buying or selling call or put options or other derivatives in respect of the Corporation's securities. Personnel are also prohibited from entering into other transactions that have the effect of hedging the economic value of any direct or indirect interests of such personnel in the equity of the Corporation.

### **Performance Graph**

The following graph compares the total cumulative shareholder return for \$100 invested in common shares of the Corporation with the total cumulative return of the S&P/TSX Global Base Metals Index since the Corporation's initial public offering on December 16, 2010:



	16-Dec-2010	31-Dec-2010	30-Dec-2011	31-Dec-2012
Common Shares of Royal Nickel on the TSX	\$100.00	\$144.32	\$31.35	\$22.70
S&P/TSX Global Base Metals Index	\$100.00	\$104.04	\$71.34	\$73.11

The S&P/TSX Global Base Metals Index is designed to provide investors an index of global securities involved in the production or extraction of base metals. The index is a subset of the S&P/TSX Global Mining Index, an investable index that provides investors with a broadly representative benchmark for global mining portfolios. As such, it is difficult to directly compare the Corporation's NEO compensation with the trends reflected in the graph above as the Corporation is still in the development stage.

The Corporation is of the view that compensation levels for the NEOs cannot and should not be directly compared to quarter over quarter or year over year relative share price performance. Global commodity prices, particularly the price of nickel, and general market conditions, are significant factors affecting the Corporation's stock price and these are beyond the control of the Corporation's officers.

The Corporation's executive compensation package is designed to attract, retain and motivate high-performing senior executives with the skills and experience necessary to achieve the Corporation's

strategy and grow the business through both adverse and favourable economic cycles. A significant portion of NEO compensation is based on long-term incentives with the ultimate value received tied directly to the Corporation's share price performance.

### Named Executive Officers' Summary Compensation Table

The Corporation became a reporting issuer on December 10, 2010. The following table (presented in accordance with *Form 51-102F6 – Statement of Executive Compensation (“Form 51-102F6”)* under *National Instrument 51-102 – Continuous Disclosure Obligations (“NI 51-102”)*) sets forth all direct and indirect compensation for, or in connection with, services provided to the Corporation for the financial years ended December 31, 2012, 2011 and 2010 in respect of the Chief Executive Officer, the Chief Financial Officer and three most highly compensated executive officers of the Corporation (the NEOs).

Name and principal position	Year	Salary (\$)	Share-based awards (\$) <sup>(4)</sup>	Option-based awards (\$) <sup>(5)</sup>	Non-equity incentive plan compensation		All other compensation (\$) <sup>(6)</sup>	Total compensation (\$)
					Annual incentive plans (\$)	Long-term incentive plans (\$)		
Tyler Mitchelson President and Chief Executive Officer	2012	385,000	103,370 <sup>(7)</sup>	91,612	96,250	Nil	-	676,232
	2011	350,000	175,000	66,073	175,000	Nil	-	766,073
	2010	350,000	800,000	Nil	200,000	Nil	-	1,350,000
Fraser Sinclair Chief Financial Officer and Corporate Secretary <sup>(1)</sup>	2012	280,000	35,960 <sup>(7)</sup>	39,750	35,000	Nil	-	390,710
	2011	265,000	66,250	29,366	66,250	Nil	-	426,866
	2010	56,058	484,000 <sup>(8)</sup>	250,380 <sup>(8)</sup>	27,500	Nil	85,000 <sup>(8)</sup>	902,938
Mark Selby Senior Vice President, Business Development <sup>(2)</sup>	2012	230,000	44,725 <sup>(7)</sup>	42,545	43,125	Nil	-	360,395
	2011	200,000	50,000	29,366	50,000	Nil	-	329,366
	2010	213,115	724,000 <sup>(8)</sup>	278,550 <sup>(8)</sup>	46,000	Nil	-	1,261,665
Alger St-Jean Vice President, Exploration	2012	210,000	26,570 <sup>(7)</sup>	27,782	26,250	Nil	-	290,602
	2011	175,000	43,750	18,354	43,750	Nil	-	280,854
	2010	175,000	124,000	Nil	78,750	Nil	-	377,750
Johnna Muinonen, Vice President, Operations <sup>(3)</sup>	2012	210,000	26,650 <sup>(7)</sup>	27,782	26,250	Nil	-	290,682
	2011	165,000	45,375	18,354	45,400	Nil	-	274,129
	2010	66,634	340,000 <sup>(8)</sup>	278,850 <sup>(8)</sup>	26,950	Nil	-	712,434

**Notes:**

- (1) Mr. Sinclair commenced employment on October 18, 2010.
- (2) Mr. Selby was paid a retainer and a daily rate from April 1, 2010, to November 1, 2010. He entered into an employment agreement effective November 1, 2010.
- (3) Ms. Muinonen commenced employment on August 9, 2010.
- (4) This represents DSUs and RSUs. All share-based awards granted in 2010, a portion of which were granted in lieu of a cash bonus at the election of the individual, were granted prior to the closing of the initial public offering in December 2010 and are valued using the share price from the last private placement completed prior to the closing of the initial public offering of \$2.00 per share. All share-based awards granted in 2011 were granted on December 16, 2011 in lieu of a cash bonus at the election of the individual; the number of RSUs granted was based on a price of \$0.56, the closing price of the common shares on the TSX on the day prior to the grant date. RSU awards granted in 2012 were granted on December 14, 2012 in lieu of a cash bonus at the election of the individual; the number of RSUs granted was based on a price of \$0.40, the closing price of the common shares on the TSX on the day prior to the grant date.
- (5) This represents Options and SARs. SARs are cash-settled only. The SARs were granted as performance-based incentive awards to encourage the NEOs to achieve specific milestones within a fixed period of time. Subject to certain exceptions relating to a change of control or termination of employment, each SAR granted will vest upon (a) the completion by the Corporation of a strategic or equity partner transaction or series or combination of transactions that provides for a significant portion of the equity component of the overall financing for the Dumont Nickel Project, provided that such transaction or transactions occur on or before December 14, 2015; and (b) approval by the Compensation Committee of the redemption of the SARs having regard to the Corporation's financial condition, project status and overall market conditions. In the event that the condition in (a) is not met on or before December 14, 2015, the SARs will be cancelled. In the event that the condition in (a) is met on or before December 14, 2015 but the condition in (b)

is not met prior to December 14, 2022, the SARs will be redeemed on December 14, 2022. The fair value of option-based awards was determined using the Black-Scholes pricing model. The Black-Scholes award valuation is determined using the exercise price or base price (in the case of SARs), expected life of the award, expected volatility of the common share price, expected dividend yield and risk-free interest rate. The Corporation assigns an exercise or base price equivalent to the value of one common share on the TSX on the date immediately preceding the date of the grant. Prior to the initial public offering in December 2010 the Corporation assigned the exercise price equivalent to the value of one common share from the last private placement immediately preceding the date of grant.

- (6) The aggregate value of perquisites and other personal benefits was less than 10% of the total salary of each NEO for the financial year.
- (7) Of these amounts, Mr. Mitchelson, Sinclair, Selby, St. Jean and Ms. Muinonen received 17,800, 2,400, 4,000, 800 and 1,000 RSUs, respectively, on account of their entitlement to receive one additional RSU for every five RSUs held on that date (being December 2012) which is two years from the date of initial grant of RSUs (being December 10, 2010) that such NEO elected to receive in lieu of a cash bonus. Each of the foregoing RSUs vested immediately and is redeemable on December 10, 2013.
- (8) The amount under All Other Compensation represent a one-time signing bonus for Mr. Sinclair. Amounts under Option-based Awards represent initial option grants when each NEO joined the Corporation. Amounts under Share-based Awards include initial share-based award grants when Mr. Sinclair, Mr. Selby and Ms. Muinonen joined the Corporation of \$360,000, \$550,000 and \$250,000 respectively.

### *Discussion of Summary Compensation Table*

Additional factors necessary to understand the information disclosed in the Summary Compensation Table above include the terms of each NEO's employment agreement.

#### Tyler Mitchelson

Mr. Mitchelson became President and Chief Executive Officer of the Corporation effective October 13, 2009. Mr. Mitchelson's employment agreement provides for employment for an indefinite term with the payment of a minimum base salary, which was \$385,000 per annum for the year ended December 31, 2012, and \$350,000 per annum for the years ended December 31, 2011 and 2010, and is to be reviewed at a minimum annually by the Compensation Committee. Mr. Mitchelson did not receive an increase in base salary for the year ending December 31, 2013. Mr. Mitchelson's employment agreement as amended on March 15, 2012, also provides for an annual bonus with a target amount equal to the then current annual base salary. The annual bonus is based on a recommendation of the Compensation Committee and is at the discretion of the Board, taking into account annual corporate and/or personal objectives and goals. Mr. Mitchelson's employment agreement provides that he has the right to receive up to 50% of any annual bonus entitlement in the form of a share-based award under the Share Incentive Plan such as RSUs and that in the event that he holds the award for two years, he receives a 20% increase in the number of units. See also "Termination and Change of Control Benefits" below.

#### Fraser Sinclair

Mr. Sinclair became Chief Financial Officer effective October 18, 2010. Mr. Sinclair's employment agreement provides for employment for an indefinite term with the payment of a minimum base salary, which was \$280,000 for the year ended December 31, 2012 and \$265,000 per annum for the years ended December 31, 2011 and 2010, and is to be reviewed by the Compensation Committee from time to time. Mr. Sinclair did not receive an increase in base salary for the year ending December 31, 2013. Mr. Sinclair's employment agreement as amended on March 15, 2012, also provides for the payment of an annual bonus with a target amount equal to 50% of the then current annual base salary. The annual bonus is based on a recommendation of the Compensation Committee and is at the discretion of the Board, taking into account annual corporate and/or personal objectives and goals. Mr. Sinclair's employment agreement provides that he has the right to receive up to 50% of any annual bonus entitlement in the form of a share-based award under the Share Incentive Plan such as RSUs and that in the event that he holds the award for two years, he receives a 20% increase in the number of units. On commencement of employment, Mr. Sinclair received (i) a one-time signing bonus of \$85,000, (ii) 180,000 Options at an exercise price of \$2.00 per share, vesting as to one-third of such Options on the date of grant, the first anniversary of the date of grant and the second anniversary of the date of grant, and (iii) 180,000 DSUs,

vesting as to one-third of such DSUs on the date of grant, the first anniversary of the date of grant and the second anniversary of the date of grant. See also “Termination and Change of Control Benefits” below.

#### Mark Selby

Mr. Selby commenced working for the Corporation effective April 1, 2010, and became Senior Vice President, Business Development effective November 1, 2010. Mr. Selby’s employment agreement provides for employment for an indefinite term with the payment of a base salary, which was \$230,000 per annum for the year ended December 31, 2012 and \$200,000 per annum for the years ended December 31, 2011 and 2010, and which is reviewed by the Compensation Committee from time to time. Mr. Selby did not receive an increase in base salary for the year ending December 31, 2013. Mr. Selby’s employment agreement as amended on March 15, 2012, also provides for the payment of an annual bonus with a target amount equal to 50% of the then current annual base salary. The Compensation Committee passed a resolution confirming that for 2012 and 2013 only, the target amount is 75%. The annual bonus is based on a recommendation of the Compensation Committee and is at the discretion of the Board, taking into account annual corporate and/or personal objectives and goals. Mr. Selby’s employment agreement provides that he has the right to receive up to 50% of any annual bonus entitlement in the form of a share-based award under the Share Incentive Plan such as RSUs and that in the event that he holds the award for two years, he receives a 20% increase in the number of units. On commencement of employment, Mr. Selby received (i) 175,000 DSUs, vesting as to 59,000 of such DSUs on the date of grant and as to 58,000 DSUs on each of the first anniversary and second anniversary of the date of grant, and (ii) 100,000 RSUs, vesting as to 34,000 of such RSUs on the date of grant and as to 33,000 RSUs on each of the first anniversary of the date of grant and second anniversary of the date of grant. See also “Termination and Change of Control Benefits” below.

#### Alger St-Jean

Mr. St-Jean became Vice President, Exploration effective April 30, 2007. Mr. St-Jean’s employment agreement provides for employment for an indefinite term with the payment of a minimum base salary, which was \$210,000 per annum for the year ended December 31, 2012 and \$175,000 per annum for the years ended December 31, 2011 and 2010, and which is reviewed by the Compensation Committee from time to time. Mr. St-Jean did not receive an increase in base salary for the year ending December 31, 2013. Mr. St-Jean’s employment agreement as amended on March 15, 2012, also provides for the payment of an annual bonus with a target amount equal to 50% of the then current base salary. The annual bonus is based on a recommendation of the Compensation Committee and is at the discretion of the Board, taking into account annual corporate and/or personal objectives and goals. See also “Termination and Change of Control Benefits” below. Subsequent to the entering into of the employment agreement with Mr. St-Jean, Mr. St-Jean was given the right to receive up to 50% of any annual bonus entitlement in the form of a share-based award under the Share Incentive Plan such as RSUs and that in the event that he holds the award for two years, he receives a 20% increase in the number of units.

#### Johnna Muinonen

Ms. Muinonen became Vice President, Metallurgy effective August 9, 2010. She became Vice President, Operations effective December 16, 2011. Ms. Muinonen’s employment agreement provides for employment for an indefinite term with the payment of a minimum base salary, which was \$210,000 per annum for the year ended December 31, 2012 and \$165,000 per annum for the years ended December 31, 2011 and 2010, and which is reviewed by the Compensation Committee from time to time. Ms. Muinonen did not receive an increase in base salary for the year ending December 31, 2013. Ms. Muinonen’s employment agreement as amended on March 15, 2012, also provides for the payment of an annual bonus with a target amount equal to 50% of the then current annual base salary. The annual bonus is based on a recommendation of the Compensation Committee and is at the discretion of the Board, taking into

account annual corporate and/or personal objectives and goals. Ms. Muinonen’s employment agreement provides that she has the right to receive up to 50% of any annual bonus entitlement in the form of a share-based award under the Share Incentive Plan such as RSUs and that in the event that she holds the award for two years, she receives a 20% increase in the number of units. On commencement of employment, Ms. Muinonen received (i) 150,000 Options at an exercise price of \$2.00 per share, vesting as to one-third of such Options on the date of grant, the first anniversary of the date of grant and the second anniversary of the date of grant, and (ii) 125,000 DSUs, vesting as to 42,000 of such DSUs on the date of grant, and as to 41,500 on each of the first anniversary of the date of grant and the second anniversary of the date of grant. See also “Termination and Change of Control Benefits” below.

## Incentive Plan Awards

### *Share-Based Awards and Option-Based Awards as at December 31, 2012*

The following table (presented in accordance with Form 51-102F6) sets forth for each NEO all awards outstanding at the end of the most recently completed financial year ended December 31, 2012, including awards granted before the most recently completed financial year.

Name	Option-based Awards Vested and Unvested				Share-based Awards		
	Number of securities underlying unexercised award (#) <sup>(1)</sup>	Award exercise or base price (\$)	Award expiration date <sup>(2)</sup>	Value of unexercised in-the-money awards (\$) <sup>(3)</sup>	Number of shares or units of shares that have not vested (#) <sup>(4)</sup>	Market or payout value of share-based awards that have not vested (\$) <sup>(5)</sup>	Market or payout value of vested share-based awards not paid out or distributed (\$) <sup>(5)</sup>
Tyler Mitchelson	<u>Options</u>				Nil	Nil	407,789
	750,000	2.00	17-Sep-2019	Nil			
	180,000	0.56	16-Dec-2021	Nil			
	185,000	0.40	14-Dec-2022	3,700			
	<u>SARs</u>						
	200,000	0.40	14-Dec-2022	4,000			
Fraser Sinclair	<u>Options</u>				Nil	Nil	189,085
	180,000	2.00	18-Oct-2020	Nil			
	80,000	0.56	16-Dec-2021	Nil			
	85,000	0.40	14-Dec-2022	1,700			
	<u>SARs</u>						
	81,000	0.40	14-Dec-2022	1,620			
Mark Selby	<u>Options</u>				Nil	Nil	236,501
	150,000	2.00	6-Apr-2020	Nil			
	80,000	0.56	16-Dec-2021	Nil			
	85,000	0.40	14-Dec-2022	1,700			
	<u>SARs</u>						
	94,000	0.40	14-Dec-2022	1,880			

Name	Option-based Awards Vested and Unvested				Share-based Awards		
	Number of securities underlying unexercised award (#) <sup>(1)</sup>	Award exercise or base price (\$)	Award expiration date <sup>(2)</sup>	Value of unexercised in-the-money awards (\$) <sup>(3)</sup>	Number of shares or units of shares that have not vested (#) <sup>(4)</sup>	Market or payout value of share-based awards that have not vested (\$) <sup>(5)</sup>	Market or payout value of vested share-based awards not paid out or distributed (\$) <sup>(5)</sup>
Alger St-Jean	<u>Options</u>				Nil	Nil	86,751
	250,000	0.35	22-Mar-2017	17,500			
	50,000	1.00	9-Jul-2017	Nil			
	100,000	2.50	14-Dec-2017	Nil			
	150,000	2.50	15-Jan-2019	Nil			
	50,000	2.00	9-Oct-2019	Nil			
	50,000	0.56	16-Dec-2012	Nil			
	55,000	0.40	14-Dec-2022	1,100			
<u>SARs</u>							
	62,000	0.40	14-Dec-2022	1,240			
Johnna Muinonen	<u>Options</u>				Nil	Nil	133,413
	150,000	2.00	9-Aug-2020	Nil			
	50,000	0.56	16-Dec-2021	Nil			
	55,000	0.40	14-Dec-2022	1,100			
	<u>SARs</u>						
	62,000	0.40	14-Dec-2022	1,240			

**Notes:**

- (1) This represents Options and SARs. SARs are cash-settled only. The SARs were granted as performance-based incentive awards to encourage the NEOs to achieve specific milestones within a fixed period of time. Subject to certain exceptions relating to a change of control or termination of employment, each SAR granted will vest upon (a) the completion by the Corporation of a strategic or equity partner transaction or series or combination of transactions that provides for a significant portion of the equity component of the overall financing for the Dumont Nickel Project, provided that such transaction or transactions occur on or before December 14, 2015; and (b) approval by the Compensation Committee of the redemption of the SARs having regard to the Corporation's financial condition, project status and overall market conditions. In the event that the condition in (a) is not met on or before December 14, 2015, the SARs will be cancelled. In the event that the condition in (a) is met on or before December 14, 2015 but the condition in (b) is not met prior to December 14, 2022, the SARs will be redeemed on December 14, 2022.
- (2) All vested SARs must be redeemed on or before the expiration date specified above.
- (3) The value of unexercised option-based awards was calculated using the closing price of common shares on the TSX on December 31, 2012 of \$0.42 less the exercise or base price of the award.
- (4) This represents RSUs and DSUs.
- (5) The market or payout value was calculated using the closing price of common shares on the TSX on December 31, 2012 of \$0.42.

*Incentive Plan Awards – Value Vested or Earned During The Year*

The following table (presented in accordance with Form 51-102F6) sets forth details of the value vested or earned during the most recently completed financial year ended December 31, 2012 for each incentive plan award.

Name	Option-based awards – Value vested during the year (\$) <sup>(1)</sup>	Share-based awards – Value vested during the year (\$) <sup>(2)</sup>	Non-equity incentive plan compensation – Value earned during the year (\$) <sup>(3)</sup>
Tyler Mitchelson	Nil	143,800	96,250
Fraser Sinclair	Nil	77,308	35,000

Name	Option-based awards – Value vested during the year (\$) <sup>(1)</sup>	Share-based awards – Value vested during the year (\$) <sup>(2)</sup>	Non-equity incentive plan compensation – Value earned during the year (\$) <sup>(3)</sup>
Mark Selby	Nil	104,395	43,125
Alger St-Jean	Nil	34,126	26,250
Johnna Muinonen	Nil	55,090	26,250

**Notes:**

- (1) Represents the aggregate dollar value that would have been realized if the Options or SARs that vested during the year had been exercised or redeemed, as applicable, on the vesting date.
- (2) This represents DSUs and RSUs. The value of share-based awards that vested during the year was calculated using the closing price of common shares on the vesting date on the TSX.
- (3) Represents the cash bonuses paid to the NEOs in respect of 2012.

### Share Incentive Plan

The Share Incentive Plan provides for the granting of equity-based compensation securities, including options and awards for the purpose of advancing the interests of the Corporation through the motivation, attraction and retention of senior executives, directors, employees (including prospective employees) and consultants of the Corporation and to secure for the Corporation and the shareholders of the Corporation the benefits inherent in the holding of options and awards that are tied to the long term performance of common shares by senior executives, directors, employees and consultants of the Corporation.

The Share Incentive Plan provides for the issuance of stock options (“**Options**”) and other equity-based awards (“**Awards**”) including share appreciation rights (“**SARs**”), restricted shares, restricted share units (“**RSUs**”), deferred share units (“**DSUs**”), performance shares and performance share units.

The material provisions of the Share Incentive Plan are as follows:

- *Eligible Participants.* Employees, directors and officers of the Corporation and its subsidiaries, as well as consultants (as defined in National Instrument 45-106) (the “**Participants**”), are eligible to participate in the Share Incentive Plan.
- *Common Shares Subject to the Share Incentive Plan.* The Share Incentive Plan provides that the maximum number of common shares issuable upon the exercise of Options and made available as Awards, in aggregate, shall not exceed 15% of the issued and outstanding common shares from time to time. \* As a result, should the Corporation issue additional common shares in the future, the number of common shares issuable under the Share Incentive Plan will increase accordingly. The Share Incentive Plan is considered an “evergreen” plan, since the common shares covered by Options and Awards that have been exercised or redeemed, as the case may be, shall be available for subsequent grants under the Share Incentive Plan. As of the date hereof, Options for the purchase of up to 6,785,250 common shares (representing approximately 7.2% of the issued and outstanding common shares of the Corporation as of the date hereof) and Awards for up to 3,446,770 common shares (representing approximately 3.7% of the issued and outstanding common shares of the Corporation as of the date hereof), out of a total available of 14,116,846.

\* Prior to March 26, 2013, common shares issuable upon the exercise of Options and made available as Awards were subject to separate caps, being 15% and 10%, respectively of the issued and outstanding common shares (*i.e.*, an effective cap of 25%). On March 26, 2013, the Board determined it would be in the best interests of the Corporation to reduce these caps by limiting the aggregate number of common shares issuable upon the exercise of Options and made available as Awards to a single cap of 15% of the issued and outstanding common shares.

- *Maximum Percentage of Available Securities to Insiders Under All Share Compensation Arrangements.* The aggregate number of common shares issuable to insiders under the Share Incentive Plan and any other share compensation arrangement shall not exceed 10% of the common shares issued and outstanding at any time. Insiders shall not be issued, pursuant to the Share Incentive Plan and any other share compensation arrangement, within any one year period, a number of common shares which exceeds 10% of the common shares issued and outstanding. As of the date hereof, a total of 8,601,020 common shares are issuable to insiders under granted Options and Awards (representing approximately 9.1% of the issued and outstanding common shares of the Corporation as of the date hereof), out of a total available to insiders of 9,411,231.
- *Method of Determining Option Exercise Price.* Under the Share Incentive Plan, the Compensation Committee has the authority to fix the exercise price of an Option at the time the Option is granted, provided that the price per common share fixed by the Compensation Committee is in Canadian dollars and shall not be less than the market price of the common shares immediately preceding the grant.
- *Calculation of Market Appreciation of Share Appreciation Rights.* The Share Incentive Plan allows the granting of share appreciation rights. Market appreciation of share appreciation rights shall be calculated as an amount equal to (a) the excess of the fair market value of a common share on the date of redemption of the share appreciation right, over (b) the fair market value of a common share as of the date of grant, multiplied by (c) the number of common shares with respect to which the share appreciation right is redeemed.
- *Vesting of Options and Option Period.* At the time of the grant of an Option, the Compensation Committee may determine when any Option will become exercisable and may determine that the Option shall be exercisable in instalments on such terms as to vesting or otherwise, as the Compensation Committee deems advisable. Unless otherwise determined by the Compensation Committee, Options will vest, as to one-third of Options granted, on each of the first, second and third anniversaries of the date of grant, provided that the grantee is still a Participant at that time.
- *Restricted Shares Issuances.* The Share Incentive Plan permits the Compensation Committee to grant restricted shares to Participants. The Compensation Committee may determine when a restricted share shall vest, or have the restricted shares vest in instalment on such terms as the Compensation Committee deems to be advisable. After the restricted shares have vested and the Participant executes an award agreement, the Corporation will issue the Participant a certificate for the number of common shares granted as restricted shares. Once the Participant has the certificate, the Participant shall have the rights of a shareholder with respect to the restricted shares, subject to any restrictions or conditions as the Compensation Committee may in its discretion include in the applicable award agreement.
- *Restricted Share Units.* The Compensation Committee may grant Awards of RSUs to Participants in such amounts and subject to such terms and conditions as the Compensation Committee shall determine in its discretion. On the payment date, the Participant of each RSU shall receive common shares, cash, securities or other property equal in value to the common shares or a combination thereof.
- *Deferred Share Units.* The Compensation Committee may grant Awards of DSUs to Participants in such amounts and subject to such terms and conditions as the Compensation Committee shall determine in its discretion. A Participant is only entitled to payment in respect of the DSUs when the Participant ceases to be an employee or director of the Corporation or any affiliate thereof for any reason. At the time of grant, the Compensation Committee shall determine whether the DSUs



shall be redeemed for (i) common shares only, or (ii) at the option of the Participant, common shares or the redemption value determined in accordance with the applicable award agreement of the DSUs.

- *Performance Shares and Performance Share Units.* The Compensation Committee may grant Awards of performance shares to Participants in the form of (a) common shares or (b) performance share units, in such amounts and subject to such terms and conditions as the Compensation Committee shall determine in its discretion. A Participant who is granted a performance share unit will have only the rights of an unsecured creditor of the Corporation until payment of common shares, cash or other securities or property is made as specified in the applicable award agreement. In the event that a certificate is issued in respect of an Award of performance shares in the form of common shares, such certificate shall be registered in the name of the Participant but shall be held by the Corporation or its designated agent until the time the performance shares are earned or become vested in accordance with the terms of the applicable award agreement. The Compensation Committee shall determine in its sole discretion whether performance share units shall be settled in common shares, cash, securities or other property, or a combination thereof.
- *Other Equity-Based Awards.* The Compensation Committee may grant other types of equity-based or equity-related Awards to Participants (including the grant of unrestricted common shares) in such amounts and subject to such terms and conditions as the Compensation Committee shall in its discretion determine. Such Awards may entail the transfer of actual common shares to Participants, or payment in cash or otherwise of amounts based on the value of common shares, and may include, without limitation, Awards designed to comply with or take advantage of the applicable local laws of foreign jurisdictions.
- *Term of Options.* The Compensation Committee may set the term of the Options, so long as such term is not more than ten years from the date of the grant of the Option.
- *Causes of Cessation of Entitlement.* The Share Incentive Plan sets out provisions regarding the exercise and cancellation of Options and Awards if a Participant's employment terminates or a Participant otherwise ceases to be eligible under the Share Incentive Plan. Under the Share Incentive Plan, subject to any express provisions included in an employment/termination agreement with respect to an Option, which shall in no case provide for an exercise period beyond 12 months from the termination date:
  - If the Participant ceases to be eligible by reason of retirement, early retirement at the request of the Corporation, death or disability, there shall be either (i) immediate vesting of all Options and Awards if so provided for in an employment/termination agreement, or (ii) immediate vesting of the Options and Awards that would have vested in the 12 months following the effective termination date in all other cases. All vested Options and Awards shall be exercisable or redeemed during the period that is the shorter of (x) the remainder of the option period (or other applicable period in respect of Awards), and (y) 180 days after the effective date of termination.
  - If the Participant ceases to be eligible for any reason other than those specified above, there shall be either (i) immediate vesting of all Options and Awards or immediate vesting of the Options and Awards that would otherwise have vested in the 90 days following the termination date, as applicable, if so provided in an employment/termination agreement, or (ii) no accelerated vesting of the Options and Awards in all other cases. All vested Options and Awards shall be exercisable or

redeemed, as the case may be, during the period which is the shorter of (x) the remainder of the option period (or other applicable period in respect of Awards), and (y) 90 days after the termination date.

- *Assignability.* Except to the extent otherwise provided in the applicable award or option agreement, no Award or Option or right granted to any person under the Share Incentive Plan shall be assignable other than by will or by the laws of descent and distribution.
- *Amendments, Suspension or Termination of the Share Incentive Plan.* The Compensation Committee may amend, suspend or terminate the Share Incentive Plan, at any time, provided that no such amendment, suspension or termination may be made without obtaining any required regulatory approvals or adversely affect the rights of any optionee or award holders who holds an Option or Award at the time of such amendment, without the consent of that optionee or award holder. *If Share Incentive Plan Resolution #1 is approved by shareholders, it will be made clear that such authority of the Compensation Committee is subject to the provisions below respecting amendments requiring shareholder approval.*
- *Amendments Without Shareholder Approval.* The Compensation Committee may make the following amendments to the Share Incentive Plan, or to any Option or Award granted under the Share Incentive Plan, without shareholder approval. *If Share Incentive Plan Resolution #1 is approved by shareholders, it will be made clear that the authority of the Compensation Committee to make amendments is not limited to the enumerated list but at the same time is subject to the provisions below respecting amendments requiring shareholder approval.*
  - an amendment to the purchase price of any Option or Award, unless the amendment is a reduction in the purchase price of an Option or Award held by an insider. *If Share Incentive Plan Resolution #1 is approved by shareholders, it will be made clear that a cancellation and re-grant of an Option at a lower price less than three months after the related cancellation will be treated as a reduction of the purchase price;*
  - an amendment to the date upon which an Option or Award may expire, unless the amendment extends the expiry of an Option or Award held by an insider. *If Share Incentive Plan Resolution #1 is approved by shareholders, it will be made clear that an extension is referring to an extension of the expiry date or term of an Option or Award beyond the expiry date or term determined at the date of grant;*
  - an amendment to the vesting provisions of the Share Incentive Plan and any option agreement or award agreement granted under the Share Incentive Plan;
  - an amendment to provide a cashless exercise feature to an Option, provided that such amendment ensures the full deduction of the number of underlying common shares from the total number of common shares subject to the Share Incentive Plan. *If Share Incentive Plan Resolution #1 is approved by shareholders, a cashless exercise feature may be added or modified regardless of whether there is a full deduction from availability. The reason for this clarification is that the concept of a full deduction is not relevant in the context of an “evergreen plan”. This is consistent with the current views of the TSX;*
  - an addition to, deletion from or alteration of the Share Incentive Plan or an Option or Award that is necessary to comply with applicable law or the requirements of any regulatory authority or a stock exchange;

- any amendment of a “housekeeping” nature, including, without limitation, amending the wording of any provision of the Share Incentive Plan for the purpose of clarifying the meaning of existing provisions or to correct or supplement any provision of the Share Incentive Plan that is inconsistent with any other provision of the Share Incentive Plan, correcting grammatical or typographical errors and amending the definitions contained within the Share Incentive Plan respecting the administration of the Share Incentive Plan;
  - any amendment respecting the administration of the Share Incentive Plan; and
  - any other amendment that does not require shareholder approval as set out in the section below. *If Share Incentive Plan Resolution #1 is approved by shareholders, it will be made clear that amendments may not be made by the Compensation Committee in reliance on this clause if shareholder approval is required under applicable law or the requirements of any regulatory authority or stock exchange.*
- *Amendments Requiring Shareholder Approval.* Shareholder approval will be required for the following amendments to the Share Incentive Plan:
    - any increase in the maximum number of common shares issuable as a fixed percentage of the Corporation’s outstanding common shares. *If Share Incentive Plan Resolution #1 is approved by shareholders, it will be made clear that any increase, either as a fixed number or a fixed percentage, will require shareholder approval;*
    - to remove or exceed the insider participation limit;
    - to an amending provision within the Share Incentive Plan;
    - an amendment to the purchase price of any Option or Award held by an insider. *If Share Incentive Plan Resolution #1 is approved by shareholders, it will be made clear that a cancellation and re-grant of an Option at a lower price where the re-grant occurs at least three months after the related cancellation is not a reduction of the purchase price. This is consistent with the current views of the TSX;*
    - any reduction in the purchase price or the extension of the expiry of an Option or Award held by insiders. *If Share Incentive Plan Resolution #1 is approved by shareholders, it will be made clear that an extension is referring to an extension of the expiry date or term of an Option or Award beyond the expiry date or term determined at the date of grant;*
    - any change that would materially modify the requirements as to eligibility for participation in the Share Incentive Plan. *If Share Incentive Plan Resolution #1 is approved by shareholders, this clause will be deleted, as the TSX does not require such an amendment to be approved by shareholders.*

### **Termination and Change of Control Benefits**

The employment agreements, as amended as of March 15, 2012, between the Corporation and the NEOs contain the following termination and change of control provisions.

If Mr. Mitchelson or Mr. St-Jean is terminated without cause, he will be entitled to a lump sum payment of a multiple of his base salary (see below). He will also be entitled to continue to participate in and be

covered by the Corporation's benefit plans until the earlier of (a) the date that is one year following such termination, and (b) the date on which he commences employment with a new employer, and the Corporation will pay for up to \$20,000 of outplacement services to the extent actually and properly incurred on his behalf. In the event of a change of control (as defined below) of the Corporation, and in the case of Mr. Mitchelson, a significant change in the business of the Corporation, the NEO has the right (in the case of Mr. St-Jean, for a period of six months following the change of control) to terminate his employment agreement on 30 days' notice and will be entitled to a lump sum payment of a multiple of the NEO's base salary (see below).

If Mr. Sinclair, Mr. Selby or Ms. Muinonen is terminated without cause, such NEO will be entitled to payment of a multiple of the NEO's base salary (see below) in a lump sum or by salary continuation. The NEO's benefits coverage will continue until the end of the applicable compensation period (see below). In the event of a change of control (as defined below) of the Corporation, the NEO may elect, during the six month period immediately following the date of such change of control, to terminate the NEO's employment agreement by 60 days' notice and will be entitled to a lump sum payment of a multiple of the NEO's base salary (see below).

A "change of control" is defined as when any individual, sole proprietorship, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, or a natural person in his or her capacity as trustee of any of the foregoing, alone or acting in concert with any of the foregoing or combination of the foregoing, beneficially own or control, directly or indirectly, over 40% of the outstanding common shares or the votes attaching thereto of the Company. In the case of Mr. Mitchelson, a "change of control" is defined as the event where any person, firm or corporation or other entity, whether by merger, purchase or otherwise, shall acquire all or substantially all of the assets or business of the Corporation.

For the NEOs, vesting of options and awards accelerate on a change of control, and accelerate on a complete or partial basis on a termination without cause.

For illustrative purposes, had a change of control occurred on December 31, 2012, the applicable multiple, the compensation period for benefits, the amounts payable and the incremental value of options and awards in respect of which vesting would have accelerated would have been as follows:

Name	Multiple	Aggregate Amount Payable for Base Salary (\$)	Compensation Period for Benefits	Aggregate Amount Payable for Benefits (\$) <sup>(1)</sup>	Option-Based Awards – Value Vested (\$) <sup>(2)</sup>	Share-Based Awards – Value Vested (\$)	Other
Tyler Mitchelson	3 times	1,155,000	1 year	-	6,467	Nil	up to \$20,000 <sup>(3)</sup>
Fraser Sinclair	2 times	560,000	2 years	-	2,753	Nil	N/A
Mark Selby	2 times	460,000	2 years	-	3,013	Nil	N/A
Alger St-Jean	2 times	420,000	1 year	-	1,973	Nil	up to \$20,000 <sup>(3)</sup>
Johnna Muinonen	2 times	420,000	2 years	-	1,973	Nil	N/A

**Notes:**

- (1) The aggregate value of benefits was less than 10% of the total salary of each NEO for the financial year and it has been assumed that such benefits would continue for the compensation period.
- (2) The value of Options and SARs in respect of which vesting would have accelerated on a change of control was calculated using the closing price of the common shares on the TSX on December 31, 2012 which was \$0.42 per share, less the exercise or base price of the award.

- (3) Each of Messrs. Mitchelson and St-Jean is entitled to a payment of up to \$20,000 of outplacement services to the extent actually and properly incurred on his behalf.
- (4) If, instead of a change of control, an NEO had been terminated without cause as of December 31, 2012, all of the amounts in the above table would be the same, except that in the Option-Based Awards column, the amounts would be nil except for Mr. Mitchelson. For Mr. Mitchelson, the amount would be the same.

## Director Compensation

The Corporation's compensation philosophy for directors is designed to provide competitive compensation sufficient to attract, retain and motivate highly skilled directors. Directors' compensation was reviewed by the Compensation Committee in 2012. Directors' compensation includes the following:

1. An annual retainer for each director (other than the Executive Chairman of the Board and other directors who are officers of the Corporation).
2. An annual retainer for the Executive Chairman of the Board.
3. An annual retainer for each committee Chair.
4. A meeting fee for each director for each properly called and duly constituted meeting attended (in person or by phone) by such director (other than the Executive Chairman of the Board and other directors who are officers of the Corporation).
5. An initial grant of stock options or other share-based compensation for each director upon being elected to the Board and an additional grant of stock options or share-based compensation from time to time, in each case as approved by the Board.

The annual retainer may be taken in the form of cash or, subject to the limits set forth in the Corporation's Share Incentive Plan and the recommendation of the Compensation Committee and approval by the Board, share-based compensation.

Based on the results of the benchmarking study, the Compensation Committee recommended and the Board approved that the annual retainer for directors target the 50<sup>th</sup> percentile and the annual equity awards target the 75<sup>th</sup> percentile of the comparator group selected for the year.

### *Director Compensation Table*

The following table (presented in accordance with Form 51-102F6) sets forth all amounts of compensation provided to the directors for the Corporation's most recently completed financial year ended December 31, 2012. Mr. Mitchelson, who is the President and Chief Executive Officer of the Corporation, does not receive any remuneration for his service as a director of the Corporation.

<b>Name</b>	<b>Fees earned (\$)</b>	<b>Share-based awards (\$)<sup>(1)</sup></b>	<b>Option-based awards (\$)<sup>(2)</sup></b>	<b>All other compensation (\$)</b>	<b>Total (\$)</b>
Peter Goudie	42,500	Nil	11,178	Nil	53,678
A. Thomas Griffis	15,000	Nil	Nil	10,950 <sup>(3)</sup>	25,950
Scott M. Hand <sup>(4)</sup>	31,250	93,750	16,767	Nil	141,767
Peter C. Jones	48,750	Nil	11,178	Nil	59,928
Frank Marzoli	33,750	Nil	11,178	Nil	44,928
Gilles Masson	48,750	Nil	11,178	Nil	59,928

Name	Fees earned (\$)	Share-based awards (\$) <sup>(1)</sup>	Option-based awards (\$) <sup>(2)</sup>	All other compensation (\$)	Total (\$)
Darryl Sittler	35,000	Nil	11,178	Nil	46,178

**Notes:**

- (1) Represents DSUs. The value of each DSU is equal to the closing price of the common shares on the TSX on the day prior to the grant date.
- (2) Represents SARs, which are cash-settled only. On December 14, 2012, Mr. Hand received a grant of 78,000 SARs, and the other directors each received a grant of 52,000 SARs. Subject to certain exceptions relating to a change of control or ceasing to be a director, the SARs granted to the directors vest if the Compensation Committee passes a resolution approving the redemption of the SARs having regard to the Corporation's financial condition, project status and overall market conditions, provided that the number of SARs to vest will be dependent upon the length of service of the director as follows: one-third will not be dependent on the length of service and shall vest upon the Committee approval condition referred to above, one-third will only vest subject to the Committee approval referred to above if the director is still serving as a director on the first anniversary of the date of grant and the remaining one-third will only vest subject to the Committee approval referred to above if the director is still serving as a director on the second anniversary of the date of grant. Notwithstanding the above, in the event that the Committee approval condition is not met prior to December 14, 2022, the SARs will be redeemed on December 14, 2022. The fair value of option-based awards was determined using the Black-Scholes pricing model. The Black-Scholes award valuation is determined using the exercise price or base price (in the case of SARs), expected life of the award, expected volatility of the common share price, expected dividend yield and risk-free interest rate. The Corporation assigns an exercise or base price equivalent to the value of one common share on the TSX on the date immediately preceding the grant date.
- (3) This represents consulting fees paid to Mr. Griffis under an arrangement which terminated on March 31, 2012. Mr. Griffis ceased to be a director on June 20, 2012.
- (4) Mr. Hand received 75% of his annual retainer of \$125,000 in the form of DSUs, which are included in share-based awards.

*Discussion of Director Compensation Table*

Significant factors necessary to understand the information disclosed in the Director Compensation Table above include retainers and fees and DSUs and SARs granted under the Share Incentive Plan (for more information, see "Share Incentive Plan" above).

Retainers and Fees

The Board meets annually to review the adequacy and form of directors' compensation. The following represents the director compensation arrangements in place for 2012:

Annual Board Retainer (base) <sup>(1)</sup> . . . . .	\$20,000
Annual Retainer for the Executive Chairman of the Board. . . . .	\$125,000 <sup>(2)</sup>
Additional Annual retainer for Chairman of the Audit Committee . . . . .	\$10,000
Additional Annual retainer for Chairpersons of other Board Committees . . . . .	\$5,000
Board/Committee meeting attendance fee <sup>(1)</sup> . . . . .	\$1,250

**Notes:**

- (1) Paid to all directors other than the Executive Chairman of the Board and other directors who are officers of the Corporation.
- (2) The Executive Chairman received 75% of his 2012 annual retainer in the form of share-based awards.

*Share-Based Awards and Option-Based Awards as at December 31, 2012*

The following table (presented in accordance with Form 51-102F6) sets forth for each director all awards outstanding at the end of the most recently completed financial year ended December 31, 2012, including awards granted before the most recently completed financial year.

Name	Option-based Awards Vested and Unvested				Share-based Awards		
	Number of securities underlying unexercised award (#) <sup>(1)</sup>	Award exercise or base price (\$)	Award expiration date <sup>(2)</sup>	Value of unexercised in-the-money awards (\$) <sup>(3)</sup>	Number of shares or units of shares that have not vested (#) <sup>(4)</sup>	Market or payout value of share-based awards that have not vested (\$) <sup>(5)</sup>	Market or payout value of vested share-based awards not paid out or distributed (\$) <sup>(5)</sup>
Peter Goudie	<u>Options</u> 250,000 50,000 50,000 <u>SARs</u> 52,000	2.50 2.50 2.00 0.40	17-Jul-2018 15-Jan-2019 9-Oct-2019 14-Dec-2022	Nil Nil Nil 1,040	8,333	3,500	25,480
Scott M. Hand	<u>Options</u> 500,000 50,000 191,250 <u>SARs</u> 78,000	2.50 2.50 2.00 0.40	27-Jun-2018 15-Jan-2019 9-Oct-2019 14-Dec-2022	Nil Nil Nil 1,560	12,500	5,250	181,702
Peter C. Jones	<u>Options</u> 250,000 50,000 50,000 <u>SARs</u> 52,000	2.50 2.50 2.00 0.40	17-Nov-2018 15-Jan-2019 9-Oct-2019 14-Dec-2022	Nil Nil Nil 1,040	8,333	3,500	25,480
Frank Marzoli	<u>Options</u> 150,000 100,000 50,000 50,000 <u>SARs</u> 52,000	0.35 2.50 2.50 2.00 0.40	8-Mar-2017 14-Dec-2017 15-Jan-2019 9-Oct-2019 14-Dec-2022	10,500 Nil Nil Nil 1,040	8,333	3,500	25,480
Gilles Masson	<u>Options</u> 150,000 100,000 50,000 50,000 <u>SARs</u> 52,000	1.00 2.50 2.50 2.00 0.40	15-Aug-2017 14-Dec-2017 15-Jan-2019 9-Oct-2019 14-Dec-2022	Nil Nil Nil Nil 1,040	8,333	3,500	25,480
Darryl Sittler	<u>Options</u> 150,000 100,000 50,000 50,000 <u>SARs</u> 52,000	0.35 2.50 2.50 2.00 0.40	10-Apr-2017 14-Dec-2017 15-Jan-2019 9-Oct-2019 14-Dec-2022	10,500 Nil Nil Nil 1,040	8,333	3,500	25,480

**Notes:**

(1) This represents Options and SARs. SARs are cash-settled only. Subject to certain exceptions relating to a change of control or ceasing to be a director, the SARs granted to the directors vest if the Compensation Committee passes a resolution approving the redemption of the SARs having regard to the Corporation's financial condition, project status and overall market conditions, provided that the

number of SARs to vest will be dependent upon the length of service of the director as follows: one-third will not be dependent on the length of service and shall vest upon the Committee approval condition referred to above, one-third will only vest subject to the Committee approval referred to above if the director is still serving as a director on the first anniversary of the date of grant and the remaining one-third will only vest subject to the Committee approval referred to above if the director is still serving as a director on the second anniversary of the date of grant. Notwithstanding the above, in the event that the Committee approval condition is not met prior to December 14, 2022, the SARs will be redeemed on December 14, 2022.

- (2) All vested SARs must be redeemed on or before the expiration date specified above.
- (3) The value of unexercised option-based awards was calculated using the closing price of common shares on the TSX on December 31, 2012 of \$0.42 less the exercise or base price of the award.
- (4) This represents DSUs.
- (5) The market or payout value was calculated using the closing price of common shares on the TSX on December 31, 2012 of \$0.42.

### *Incentive Plan Awards – Value Vested or Earning During The Year*

The following table (presented in accordance with Form 51-102F6) sets forth details of the value vested or earned by each director during the most recently completed financial year ended December 31, 2012 for each incentive plan award.

<b>Name</b>	<b>Option-based awards – Value vested during the year (\$)<sup>(1)</sup></b>	<b>Share-based awards – Value vested during the year (\$)<sup>(2)</sup></b>
Peter Goudie	Nil	9,054
Scott M. Hand	Nil	105,137
Peter C. Jones	Nil	9,054
Frank Marzoli	Nil	9,054
Gilles Masson	Nil	9,054
Darryl Sittler	Nil	9,054

**Notes:**

- (1) Represents the aggregate dollar value that would have been realized if the Options or SARs that vested during the year had been exercised or redeemed, as applicable, on the vesting date.
- (2) This represents DSUs. The value of share-based awards that vested during the year was calculated using the closing price of common shares on the vesting date on the TSX.

## **OTHER INFORMATION**

### **Securities Authorized for Issuance Under Equity Compensation Plans**

The following table (presented in accordance with Form 51-102F5) sets forth all compensation plans under which equity securities of the Corporation are authorized for issuance as of the end of the most recently completed financial year.



### Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities in column (a)) (c)
Equity compensation plans approved by securityholders: <sup>(1)</sup>			
Options	7,960,250	\$1.56	
Awards	3,370,551	N/A	
Sub Total	11,330,801 <sup>(2)</sup>		2,179,688
Equity compensation plans not approved by securityholders	—	—	—
<b>Total</b>	11,330,801	N/A	2,179,688

**Notes:**

- (1) Based on the reduced cap made effective as of March 26, 2013, *i.e.*, the number of common shares issuable upon the exercise of Options and made available as Awards, in aggregate, cannot not exceed 15% of the issued and outstanding common shares from time to time.
- (2) Includes Options and Awards under Share Incentive Plan, which Awards include 1,270,124 DSUs and 2,100,427 RSUs which are redeemable in cash or common shares at the option of the holder, but exclude 837,000 SARs, which are redeemable in cash only.

### Indebtedness of Directors and Executive Officers

During the most recently completed financial year and as at the date hereof, no director, proposed nominee for election as a director, executive officer, employee or associate of any such persons has been or is indebted to the Corporation, nor has the Corporation guaranteed any loans on behalf of any of these persons.

### Interest of Informed Persons in Material Transactions

Management of the Corporation is not aware of any material interest, direct or indirect, of any director or executive officer of the Corporation, any other informed person of the Corporation (as defined in NI 51-102), any proposed nominee for election as a director of the Corporation, or any associate or affiliate of any such person, in any transaction since the commencement of the Corporation's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Royal Nickel considers good corporate governance to be central to the effective and efficient operation of its business and is committed to implementing high standards of corporate governance and reporting. The Board reviews and formulates policies with respect to corporate governance issues. Royal Nickel attempts, so far as is practical and reasonable given the nature of Royal Nickel's business and available resources, to seek to adhere to the guidelines outlined in *National Policy 58-201 – Corporate Governance Guidelines*.

### Board of Directors

#### *Composition of the Board*

The Board is currently comprised of seven directors. At the Meeting, all of the directors will be standing for re-election. The Board has considered the independence of each of its directors. Consistent with *National Instrument 58-101 – Disclosure of Corporate Governance Practices* (“**NI 58-101**”), to be considered independent, the Board must conclude that a director has no material relationship with the Corporation. A “material relationship” is a relationship that could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment and includes an indirect material relationship.

The Board has concluded that six directors (Messrs. Goudie, Hand, Jones, Marzoli, Masson and Sittler) are “independent” (as defined in NI 58-101) for purposes of board membership and therefore, a majority of the directors are independent. By virtue of his position as the President and Chief Executive Officer, Mr. Mitchelson is not considered independent.

#### *Other Directorships*

Certain directors of the Corporation are also presently directors of other issuers that are reporting issuers (or the equivalent) in Canada or elsewhere. Information as to such other directorships is set out below.

<b>Director</b>	<b>Public Corporation</b>
Scott M. Hand	Manulife Financial Corporation Legend Gold Corp. Chinalco Mining Corporation International
Peter C. Jones	Century Aluminum Company Concordia Resources Corp.
Gilles Masson	Malaga Inc. Semafo Inc. EACOM Timber Corporation
Darryl Sittler	Wallbridge Mining Company Limited Miocene Metals Ltd. Frontline Gold Corporation

### *Independent Directors' Meetings*

The Board meets at least once each quarter, with additional meetings held as deemed necessary. A session of the independent directors is held at which non-independent directors and members of management are not in attendance at the end of each regularly scheduled Board meeting. In 2012, five Board meetings were held at which such independent sessions were held.

### *Chair of the Board*

The Board has concluded that Mr. Hand, the Executive Chairman of the Board, is an independent director. The prime responsibility of the Executive Chairman is to provide leadership to the Board to enhance Board effectiveness. The Board has ultimate accountability for supervision of management of the business and affairs of the Corporation. Critical to meeting this accountability is the relationship between the Board, management and shareholders. The Executive Chairman oversees these relationships and acts as the presiding member of the Board with a view to ensuring that these relationships are effective, efficient and further the best interests of the Corporation.

### *Attendance at Meetings*

The Board meets regularly to review the activities and financial results of the Corporation and as necessary to review and consider significant impending actions of the Corporation. For the attendance record of each director for all Board meetings held during the financial year ended December 31, 2012, please see the table under "Business of the Meeting – Election of Directors".

### **Board Mandate**

The Charter of the Board of Directors (the "**Board Charter**") sets out the roles and responsibilities to be discharged by directors. A copy of the Board Charter is attached as Appendix A to this Circular.

### **Position Descriptions**

Written position descriptions have been developed by the Board for the Executive Chairman of the Board, the Chairs of the committees of the Board and the Chief Executive Officer of the Corporation. These position descriptions have been approved by the Board.

### **Orientation and Continuing Education**

In accordance with the Corporation's policies on orientation for new directors, each new director is provided a copy of the Corporation's Director Handbook, which contains written information about the Corporation's governing documents, code of business conduct and ethics, charters and other material information about the Corporation. Directors are strongly encouraged to visit the Corporation's facilities and operations and to meet with the senior executives of the Corporation, when appropriate. Directors are also encouraged to be a member of a professional director organization and/or have a subscription with an organization that provides educational materials or corporate governance and/or director responsibilities, current trends and other relevant director information.

### **Code of Business Conduct and Ethics**

The Board has adopted a written Code of Business Conduct and Ethics (the "**Code**") to outline principles to which Royal Nickel's employees, officers and directors are expected to adhere in the conduct of the Corporation's business. The Code addresses, among other things, conflicts of interest, protection and

proper use of corporate assets and opportunities, confidentiality of corporate information, compliance with laws and the reporting of illegal or unethical behaviour. All employees, officers and directors are expected to abide by the Code. Compliance with the Code is monitored by the Corporate Governance and Nominating Committee. In order to ensure compliance with the Code, directors, officers and other employees of the Corporation may be required to provide certificates of compliance with the Code at least annually. The Code is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The Corporation has also adopted a whistleblower policy, an insider trading policy and other policies with a view to promoting a culture of ethical business conduct.

### **Nomination of Directors**

The Corporate Governance and Nominating Committee (the “**CGN Committee**”) assists in the identification of and recommends to the Board nominees for election or re-election to the Board, or for appointment to fill any vacancy that is anticipated or has arisen on the Board. The process by which the Board will identify new candidates for Board nomination will involve: periodically, or as frequently as deemed necessary, reviewing the appropriate skills and characteristics required of Board members to add value to the Corporation; periodically, or as frequently as deemed necessary, reviewing the current composition of the Board in light of the characteristics of independence, diversity, age, skills, experience and availability of service of its members and of anticipated needs; and seeking and reviewing individuals qualified to become members of the Board, in the context of the Corporation’s needs and the criteria established by the Board.

The Corporation has adopted a majority voting policy that stipulates that if a director nominee receives a greater number of votes withheld for his or her election than for his or her election, the nominee will submit his or her resignation promptly after the meeting. Within 90 days of the meeting, the CGN Committee will make a recommendation to the Board, and the Board’s decision to accept or reject the resignation offer will be disclosed to the public. Subject to certain exceptions, the nominee will not participate in any committee or Board deliberations on the resignation offer. The Corporation is entitled to nominate only those candidates for election or re-election as directors who agree, prior to their nomination, to tender their resignations in accordance with the terms of the policy.

The CGN Committee also develops and recommends to the Board the corporate governance procedures, charters and policies of the Corporation, monitors compliance with such procedures, charters and policies and assesses the effectiveness of the Board as a whole as well as the contribution of committees and individual members.

### **Compensation**

It is the Compensation Committee’s responsibility to: develop a compensation philosophy and policy; evaluate and make recommendations to the Board regarding cash, equity-based and incentive compensation of the Corporation’s directors and senior executives; review and approve the goals and objectives relevant to the compensation of the Chief Executive Officer, evaluate the performance of the Chief Executive Officer in light of those goals and objectives and make recommendations to the Board for the Chief Executive Officer’s compensation based on the evaluation; review and make recommendations to the Board with respect to the compensation of directors; make certain determinations with respect to the compensation of senior executives other than the Chief Executive Officer; and review executive compensation disclosure before the Corporation publicly discloses the information.

For information regarding the process by which the Board determines the compensation for the Corporation’s senior executives, please see “Statement of Executive Compensation – Compensation

Discussion and Analysis”. For information regarding the process by which the Board determines the compensation for the Corporation’s directors, please see “Statement of Executive Compensation – Director Compensation”.

### **Other Board Committees**

Other than the Audit Committee, the Compensation Committee and the CGN Committee, the Board does not have any other standing committees other than the Health, Safety and Environment Committee (the “**HSE Committee**”). The HSE Committee is responsible for overseeing the development and implementation of policies and management systems of the Corporation relating to environmental and health and safety issues in order to ensure compliance with applicable laws and best management practices. It is the HSE Committee’s responsibility to ensure adequate resources are available and systems are in place for management of the Corporation to implement appropriate environmental, health and safety programs and to ensure that the Corporation has implemented an environmental and health and safety compliance audit program.

### **Board Assessments**

The Board has express responsibility under the Board Charter to assess its own effectiveness in fulfilling its responsibilities, including monitoring the effectiveness of its committees and individual directors. The CGN Committee is the committee responsible for establishing criteria and processes for, and leading the Board in an annual performance evaluation of the Board, its committees and individual directors. The results of the annual evaluation are then reported to the full Board by the chair of the CGN Committee.

## **ADDITIONAL INFORMATION**

The CBCA, which governs the Corporation, provides that shareholder proposals must be received by February 8, 2014, to be considered for inclusion in the proxy statement and the form of proxy for the annual meeting of shareholders to be held in 2014.

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Corporation’s audited annual financial statements and management’s discussion and analysis (“**MD&A**”) for the year ended December 31, 2012.

In addition, copies of the Corporation’s audited financial statements and MD&A may be obtained upon request to the Corporate Controller of the Corporation. The Corporation may require the payment of a reasonable charge if the request is made by a person who is not a shareholder of the Corporation.

## **DIRECTORS’ APPROVAL**

The directors of the Corporation have approved the contents and the sending of this Circular.

### **BY ORDER OF THE BOARD**

*(signed) Tyler Mitchelson*

Toronto, Ontario  
May 9, 2013

Tyler Mitchelson  
President, Chief Executive Officer and Director

## **APPENDIX A CHARTER OF THE BOARD OF DIRECTORS**

Royal Nickel Corporation's (the "**Company**" or "**RNC**") Charter of the Board of Directors (the "**Board Charter**") sets out the roles and responsibilities to be discharged by directors. The Board Charter specifies how the board of directors of the Company (the "**Board**") delegates authority to manage the business of the Company to management.

### **1.0 OVERALL RESPONSIBILITIES**

The Board's mandate is to formulate the policies and procedures under which the Company operates, to oversee the conduct of the business and to monitor management of the Company. In discharging its duty of stewardship of the Company, the Board shall expressly assume responsibility for the following issues:

#### **1.1 Culture of Integrity**

To the extent feasible, satisfying itself as to the integrity of the Chief Executive Officer and other executive officers and that the Chief Executive Officer and other executive officers create a culture of integrity throughout the Company.

#### **1.2 Strategy**

Developing, reviewing and, where prudent, modifying the corporate strategy of the Company. Through the Company's Chief Executive Officer, establishing the business plan for the Company. Providing input to management on emerging trends and issues. Reviewing and approving the Company's financial objectives, plans and actions, including significant capital allocations and expenditures. Monitoring the progress against strategic and business goals, including assessing operating results to evaluate whether the Company is being properly managed.

#### **1.3 Risks**

Identifying, and developing a strategy to manage, the principal risks facing the Company. Monitoring emerging trends and issues which impact the risks of the Company.

#### **1.4 Succession Planning**

Recruiting, training, monitoring, and succession planning specifically for the Chief Executive Officer and board members as well as, with the Chief Executive Officer's recommendations, for other members of senior management.

#### **1.5 Communications**

Ensuring timely and effective communication between the Company and its shareholders and other stakeholders and adopting a communication policy.

#### **1.6 Internal Control Systems**

Ensuring the integrity of the internal control systems and assessment processes for the Company, its directors, management and employees. Ensuring ethical behaviour and compliance with laws and regulations, audit and generally accepted accounting principles, and the Company's own governing documents.

### **1.7 Corporate Governance**

Developing the Company's approach to corporate governance issues and establishing and implementing the Company's governance system.

### **1.8 Material Transactions**

Reviewing and approving material transactions not in the ordinary course of business. Setting a grant of authority for the Chief Executive Officer for matters outside of the approved annual budget.

### **1.9 Share Capital**

Issuing the Company's equity.

### **1.10 Board Effectiveness**

Assessing its own effectiveness in fulfilling the above and other Board responsibilities, including monitoring the effectiveness of its committees and individual directors.

### **1.11 Other**

Performing such other functions as prescribed by law or assigned to the Board in the Company's governing documents.

## **2.0 DIRECTORS ATTRIBUTES**

To execute the Board's responsibilities, directors must possess the following characteristics and traits.

### **2.1 Integrity and Accountability**

Directors must demonstrate high ethical standards and integrity in their personal and professional dealings, and be willing to act on, and remain accountable for, their boardroom decisions.

### **2.2 Informed Judgement**

Directors must be able to provide wise, thoughtful counsel on a broad range of issues. They must develop a depth of knowledge of the mining industry, in order to understand and question the assumptions upon which the strategic and business plans are based, and to form an independent judgement as to the probability that such plans can be achieved.

### **2.3 Financial Literacy**

Directors must have a high level of financial literacy. They should know how to read financial statements, and they should understand the use of the financial ratios and other indices for evaluating the Company's performance.

### **2.4 Mature Confidence**

Directors must value Board and team performance over individual performance. Directors must possess respect for others to facilitate Board performance.

## **2.5 Communication**

Directors must be open to others' opinions, be willing to listen and be able to communicate persuasively. Directors must approach others assertively, responsibly and supportively, and be willing to raise tough questions in a manner that encourages open discussion.

## **2.6 Track Record and Experience**

Directors must bring a history of achievement that reflects high standards for themselves and others. Directors must have a proven track record of sound business judgement and good business decisions.

## **3.0 GENERAL**

### **3.1 Term of Office**

Directors are elected or appointed to office until the next annual shareholders meeting.

### **3.2 Share Ownership**

Directors are encouraged to own shares of the Company and to hold such shares during their board tenure.

### **3.3 Orientation**

Directors are required to meet with other Board members, the Chief Executive Officer, Chief Financial Officer and other members of senior management, as appropriate, upon first becoming a director of the Company. Directors are strongly encouraged to visit the Company's mine site and operational facilities and meet with senior management, when appropriate. Each director shall be provided with RNC information for reference, which information shall include the Company's governing documents, policies, code of business conduct and ethics, charters and other material information about the Company.

### **3.4 Continuing Education**

Directors are encouraged to be a member of a professional director organization and/or have a subscription with an organization that provides educational materials or corporate governance and/or director responsibilities, current trends and other relevant director information.

### **3.5 Conflict of Interest**

Directors are required to be free from any material interest which would affect their ability to act in the best interests of the Corporation.

### **3.6 Attendance**

Directors are expected to attend all properly called meetings in person or by phone. As a minimum, directors are required to attend 75% of all properly called meetings.



### **3.7 Compensation**

Directors' remuneration shall be in the form of cash and/or equity or as determined by the Board from time to time. Directors' remuneration shall be determined annually by the Company's Compensation Committee and approved by the Board.

### **3.8 Independent Chairman or Lead Director**

Directors will appoint an Independent Chairman and/or a Lead Director. The responsibilities of the Chairman and/or Lead Director shall be confirmed by the Board.

### **3.9 Resignation**

If any of the following events occur, a director will be expected to discuss with the Chairman and/or Lead Director and the Chairman of the Corporate Governance Committee, how he/she intends to ensure that such event does not reoccur. If, after the above action has been taken, the event reoccurs, the director will be required to tender his/her resignation. Depending on the individual circumstances the resignation may or may not be accepted.

3.9.1 Director is unable to abide by any of the Company's governing documents.

3.9.2 Director is unable to perform his/her responsibilities.

3.9.3 Director does not meet any of the required director attributes.

## **APPENDIX B MAJORITY VOTING POLICY**

### **1 DEFINITIONS**

The following terms used in this Policy have the following meanings:

“**Board**” means the board of directors of the Corporation;

“**Corporation**” means Royal Nickel Corporation;

“**contested election**” means any election of directors where (i) the number of nominees exceeds the number of directors to be elected as set out in the management information circular and/or (ii) proxies are being solicited by or on behalf of any person or group other than management of the Corporation; and

“**uncontested election**” means any election of directors that is not a contested election.

### **2 PURPOSE**

The Board is committed to the principle that thorough review and consideration should be undertaken if director-nominees do not receive the vote of a majority of the shares voted in an uncontested election.

### **3 UNCONTESTED ELECTIONS**

#### **3.1 Eligible Nominees**

The Board will nominate for election or re-election as directors only those candidates who agree, prior to their nomination, to tender their resignations in the circumstances described in Section 3.2 of this Policy.

#### **3.2 Resignations of Directors**

In any uncontested election of directors at a meeting of shareholders of the Corporation, at which a quorum has been confirmed, any nominee for director who receives a greater number of votes withheld from his or her election than votes for his or her election, of the shares represented in person or by proxy at the meeting and voted on the election of directors, will promptly tender his or her resignation to the Corporation.

Within 90 days of the vote, the independent members of the Board, on the recommendation of the Corporate Governance and Nominating Committee, will decide whether to: (i) accept the resignation; (ii) maintain the director but address what the Corporate Governance and Nominating Committee believes to be the underlying cause of the withhold votes; resolve that the director will not be nominated in the future for election or (iv) reject the resignation. The decision of the independent members of the Board and an explanation of how the decision was reached, including, if applicable, the reasons for rejecting the offered resignation, will be promptly disclosed in a news release.

In considering whether to recommend acceptance or rejection of the tendered resignation, the Corporate Governance and Nominating Committee will evaluate the best interests of the Corporation and consider all factors it deems relevant, which may include, without limitation: (i) any stated reasons why shareholders withheld votes from the director; (ii) any alternatives for curing the underlying cause of the withheld votes; (iii) in the case of an officer who is also a director, whether the resignation of the director could result in the triggering of change in control or similar provisions under any contract by which the Corporation is bound or any benefit plan of the Corporation and, if so, the potential impact of triggering

such provisions; (iv) the skills, attributes and tenure of the director and the overall composition of the Board, including the current mix of skills, attributes and tenure of members of the Board; and, (iv) whether accepting the resignation would cause the Corporation to fail to meet any applicable legal, stock exchange or regulatory requirement.

Any director who tenders his or her resignation as set out in this Policy will not participate in the Corporate Governance and Nominating Committee recommendation or action by the independent members of the Board on the resignation. However, if fewer than two members of the Corporate Governance and Nominating Committee receive a majority of votes for their election, the entire Board will consider and decide whether or not to accept the resignations of those directors who received a greater number of votes withheld from their election than votes for their election.

To the extent that the independent members of the Board accept one or more director resignations, the Corporate Governance and Nominating Committee will recommend to the Board whether to (i) fill any vacancy, (ii) reduce the size of the board or (iii) call a special meeting of shareholders at which a director nominee (other than a director that has resigned pursuant to this Policy) will be proposed for election by shareholders.

#### **4 CONTESTED ELECTIONS**

In any contested election of directors, the directors will be elected by a plurality of votes of the shares represented in person or by proxy at the meeting and voted on the election of directors.

**APPENDIX C**  
**TEXT OF RESOLUTION AND AMENDED**  
**AND RESTATED SHARE INCENTIVE PLAN**

**Resolution #1**

CONTEXT:

- A. On June 3, 2010, the shareholders of the Corporation approved the Corporation's 2010 share incentive plan. Since that time, the 2010 share incentive plan has been amended and restated in accordance with its terms (as set out in Exhibit 1 hereto, the "**Share Incentive Plan**").
- B. The rules of the Toronto Stock Exchange require that amendments to the amending provisions of the Share Incentive Plan (Section 22) require shareholder approval.
- C. At its meeting held on March 26, 2013, the board of directors of the Corporation, subject to shareholder approval, approved amendments to Section 22 such that Section 22 shall be as shown in Exhibit 1 hereto.

BE IT RESOLVED THAT:

- 1. the amendments to the amending provisions of the Share Incentive Plan be and are hereby approved such that Section 22 of the Share Incentive Plan shall be as shown in Exhibit 1 hereto; and
- 2. any director or officer of the Corporation be and is hereby authorized and directed to execute and deliver for and in the name of and on behalf of the Corporation all such certificates, instruments, agreements, documents and notices and to do all such other acts and things as in such person's opinion may be necessary or desirable for the purpose of giving effect to this resolution.

**Resolution #2**

CONTEXT:

- A. On June 3, 2010, the shareholders of the Corporation approved the Corporation's 2010 share incentive plan. Since that time, the 2010 share incentive plan has been amended and restated in accordance with its terms (as set out in Exhibit 1 hereto, the "**Share Incentive Plan**").
- B. The rules of the Toronto Stock Exchange require that all unallocated entitlements under plans that do not have a fixed maximum number of shares issuable (*i.e.*, "evergreen plans") must be approved by shareholders every three years.
- C. At its meeting held on May 9, 2013, the board of directors of the Corporation, subject to shareholder approval, adopted a resolution approving all unallocated entitlements under the Share Incentive Plan.

BE IT RESOLVED THAT:

- 1. all unallocated entitlements under the Share Incentive Plan be and are hereby approved;
- 2. the Corporation has the ability to continue granting entitlements under the Share Incentive Plan until June 14, 2016; and

3. any director or officer of the Corporation be and is hereby authorized and directed to execute and deliver for and in the name of and on behalf of the Corporation all such certificates, instruments, agreements, documents and notices and to do all such other acts and things as in such person's opinion may be necessary or desirable for the purpose of giving effect to this resolution.

## EXHIBIT 1 TO APPENDIX C

### AMENDED AND RESTATED SHARE INCENTIVE PLAN

1. Purpose of the Plan

The Royal Nickel Corporation 2010 Share Incentive Plan, as amended and restated on March 26, 2013 (other than amendments to Section 22, which shall become effective upon approval by the shareholders of the Company), provides for the granting of Options and Awards to Participants for the purpose of advancing the interests of the Company through the motivation, attraction and retention of key officers, directors, employees (including prospective employees) and consultants of the Company and the Designated Affiliates and to secure for the Company and the shareholders of the Company the benefits inherent in the holding of Options and Awards that are tied to the long term performance of Common Shares by key officers, directors, employees and consultants of the Company and its Designated Affiliates.

2. Definitions

Unless otherwise defined herein, the following terms used in this Plan have the meaning given to them below:

“**Acceleration Event**” has the meaning as defined in Section 17;

“**Affiliate**” means the following:

a company is an Affiliate of another company if:

- (a) one of them is the Subsidiary of the other; or
- (b) each of them is controlled by the same Person.

In addition, a company is “**controlled**” by a Person if:

- (a) voting shares of the company are held, directly or indirectly, other than by way of security only, by or for the benefit of that Person; and
- (b) the voting shares, if voted, entitle the Person to elect a majority of the directors to the company;

“**Associate**” has the meaning given to it in the *Securities Act* (Ontario), as amended from time to time;

“**Award**” means an award (other than an Option) made pursuant to the Plan, as provided in Section 4;

“**Award Agreement**” means a written document by which each Award is evidenced;

“**Blackout Period**” means the period during which Participants cannot trade securities of the Company pursuant to the Company’s policy respecting restrictions on trading which is in effect at that time (which, for greater certainty, does not include the period during which a cease trade order is in effect to which the Company or in respect of an insider, that insider, is subject);

“**Blackout Period Expiry Date**” means the date on which a Blackout Period expires;

“**Board**” and “**Board of Directors**” mean the board of directors of the Company;

“**Business Day**” means each day other than a Saturday, Sunday or statutory holiday in Toronto, Ontario, Canada;

“**Certificate**” means a share certificate (or other appropriate document or indicia of ownership) representing Common Shares of the Company;

“**Committee**” means the compensation committee appointed by the Board of Directors to administer this Plan. All references in this Plan to the Committee means the Board of Directors if no such compensation committee has been appointed;

“**Common Shares**” means the common shares in the capital of the Company;

“**Company**” means Royal Nickel Corporation, any successor of it, and where the context so requires, any Subsidiary of Royal Nickel Corporation;

“**Consultant**” has the meaning given to it in National Instrument 45-106, as amended from time to time;

“**Consulting Contract**” means a written contract between a Consultant (or a company or partnership of which the individual Consultant is an employee or a shareholder or partner) and the Company, governing the terms with respect to the provision of the Consultant’s services to the Company;

“**Date of Grant**” means the date a Participant is granted an Option or Award;

“**Designated Affiliate**” means the Affiliates of the Company designated by the Committee for purposes of the Plan from time to time;

“**Directors**” means the directors of the Company from time to time;

“**Eligible Directors**” means the Directors or the directors of any Designated Affiliate to whom Options and Awards can be granted in reliance on a prospectus exemption under applicable securities law from time to time;

“**Eligible Employees**” means:

- (i) an individual who is considered an employee under the *Income Tax Act* (Canada) (such as an individual for whom income tax, employment insurance and Canadian Pension Plan deductions must be made at the source) of the Company or any Designated Affiliate;
- (ii) an individual who works full-time for the Company or any Designated Affiliate thereof providing services normally provided by an employee and who is subject to the same control and direction by the Company or any Designated Affiliate thereof over the details and methods of work as an employee of the Company or any Subsidiary thereof, but for whom income tax deductions are not made at the source; or

- (iii) an individual who works for the Company or any Designated Affiliate thereof on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction by the Company or any Designated Affiliate thereof over the details and methods of work as an employee of the Company or any Designated Affiliate thereof, but for whom income tax deductions are not made at the source.

**“Employment Contract”** means any contract between the Company or any Designated Affiliate and any Eligible Employee, Eligible Director or Other Participant relating to, or entered into in connection with, the employment or departure of the Eligible Employee, the appointment or election of the Eligible Director or the engagement of the Other Participant or any other agreement to which the Company or a Designated Affiliate is a party with respect to the rights of such Participant in respect of a change in control of the Company or the termination of employment, appointment, election or engagement of such Participant;

**“Exercise Date”** means the date the Company receives from a Participant a completed notice of exercise contemplated by Section 8(f), together with payment for the Option Shares being purchased;

**“Exercise Price”** means the price per share at which a Participant may purchase Option Shares as fixed by the Committee;

**“Fair Market Value”** means, as of a specified date, the last closing price of the Common Shares on the Stock Exchange (or, if the Common Shares are not listed on such exchange, such other stock exchange on which the Common Shares are then listed) on the trading day immediately preceding that date, or if no prices are reported on that date, on the last preceding date on which such prices of the Common Shares are so reported. If the Common Shares are not then listed on any stock exchange but is traded over the counter at the time determination of Fair Market Value is required to be made hereunder, Fair Market Value shall be deemed to be equal to the average between the reported high and low sales prices of Common Shares on the most recent date on which Common Shares were publicly traded. If the Common Shares are not publicly traded at the time of determination, Fair Market Value shall be made by the Board or Committee in such manner as it deems appropriate.

**“Insider”** means a reporting insider as defined in National Instrument 55-104 – Insider Reporting Requirements and Exemptions;

**“Market Price”** means, with respect to a grant of Options, the last closing price of the Common Shares on the Stock Exchange (or, if the Common Shares are not listed on such exchange, such other stock exchange on which the Common Shares are then listed) prior to the grant. If the Common Shares are not then listed on any stock exchange but is traded over the counter at the time determination of Market Price is required to be made hereunder, Market Price shall be deemed to be equal to the average between the reported high and low sales prices of Common Shares on the most recent date on which Common Shares were publicly traded. If the Common Shares are not publicly traded at the time of determination, Market Price shall be made by the Board or Committee in such manner as it deems appropriate.

**“Option”** means a non-assignable, non-transferable right to purchase Common Shares granted pursuant to, or governed by the Share Option Plan;



**“Option Agreement”** means a written document by which each Option is evidenced;

**“Option Period”** means the period set forth in Section 8(b) during which a Participant may purchase Option Shares (provided, however, that the Option Period may not exceed ten years from the relevant Date of Grant);

**“Option Shares”** means the Common Shares which a Participant is entitled to purchase pursuant to Options granted pursuant to the Share Option Plan;

**“Optionee”** shall mean a Participant to whom an Option has been granted pursuant to the Share Option Plan;

**“Other Awards Plan”** means the other awards plan described in Section 9 hereof;

**“Other Participants”** shall mean any Person engaged to provide ongoing management or consulting services for the Company or a Designated Affiliate, or any employee of such Person, other than an Eligible Director or an Eligible Employee;

**“Participant”** with respect to the Share Option Plan and the Other Awards Plan shall mean each Eligible Director, Eligible Employee, Consultant and any Other Participant who has been designated by the Committee in accordance with Section 3 hereof;

**“Performance-Based Incentives”** means Awards, the vesting of which is contingent upon achievement by the Company of milestones or targets specified in the underlying Award Agreement;

**“Person”** means an individual, partnership, association, company or personal representative;

**“Plan”** means this share incentive plan which includes the Share Option Plan and the Other Awards Plan, as amended from time to time;

**“Proposed Transaction”** has the meaning as defined in Section 17;

**“Section 409A”** means section 409A of the *United States Internal Revenue Code* and related guidance, as these may be amended from time to time.

**“Share Compensation Arrangement”** means a stock option, stock option plan or any other compensation or incentive mechanism involving the issue or potential issue of securities of the Company to one or more Participants, including a share purchase from treasury which is financially assisted by the Company by way of a loan, guaranty or otherwise;

**“Share Option Plan”** means the share option plan described in Section 8 hereof;

**“Stock Exchange”** means The Toronto Stock Exchange;

**“Subsidiary”** of another entity means an entity that would be deemed to be a subsidiary of the other entity of the purposes of the *Securities Act* (Ontario) other than Part XX of that Act;

**“Termination”** has the meaning given to it in Section 21 hereof;

**“Termination Date”** has the meaning given to it in Section 21 hereof; and

“**U.S. Participant**” means a Participant who is subject to United States taxation.

3. Eligibility

Options and Awards shall be granted only to *bona fide* Participants. Participation in this Plan shall be limited to Participants who are designated from time to time by the Committee. Participation shall be voluntary and the extent to which any Participant shall be entitled to participate in this Plan shall be determined by the Committee.

4. Types of Awards Under Plan

Grants under the Plan may be made in the form of Options or Awards, which Awards may include the following: (i) share appreciation rights, (ii) restricted shares, (iii) restricted share units, (iv) deferred share units, (v) performance shares and performance share units, and (vi) other equity-based or equity related awards that the Committee determines to be consistent with the purpose of the Plan and the interests of the Company.

5. Number of Common Shares Available for Awards

(a) Plan Maximum: The maximum number of Common Shares made available under this Plan shall be determined from time to time by the Committee but, in any case, shall not exceed 15% of the outstanding Common Shares from time to time.

(b) Limits with respect to Insiders:

(i) the aggregate number of Common Shares issuable under this Plan and any other Share Compensation Arrangement to Insiders shall not exceed 10% of the Common Shares issued and outstanding at any time;

(ii) Insiders shall not be issued, pursuant to this Plan and any other Share Compensation Arrangements, within any one year period, a number of Common Shares which exceeds 10% of the Common Shares issued and outstanding.

6. Agreements Evidencing Awards

Each Award and/or Option granted under this Plan shall be evidenced by a written document which shall contain such provisions and conditions as the Committee in its discretion deems appropriate. The Committee may grant Awards and Options in tandem with or, if applicable, subject to pre-clearance with the Stock Exchange, in substitution for any other Award or Option granted under this Plan, provided that no such substitutions shall be made for Awards or Options granted to U.S. Participants to the extent it would result in a violation of Section 409A. By accepting an Award or Option pursuant to the Plan, a Participant thereby agrees that the Award or Option shall be subject to all of the terms and conditions of this Plan and the applicable Award or Option Agreement.

7. No Rights as a Shareholder

No Participant shall have any of the rights or privileges of a shareholder of the Company with respect to Common Shares subject to such Award or Option until the issuance of a Certificate for such Common Shares.

## OPTION PLAN

### 8. Options, Price, Vesting, Payment and Termination

- (a) A Share Option Plan is hereby established for the Eligible Directors, Eligible Employees, Consultants and Other Participants of the Plan.
- (b) The Committee shall determine the number of Option Shares that such Participant is entitled to purchase, the Exercise Price, the Option Period (which may not exceed ten years from the relevant Date of Grant) and the vesting schedule, if any.
- (c) Each Option granted to a Participant shall be evidenced by an Option Agreement setting out terms and conditions consistent with the provisions of the Plan, which terms and conditions need not be the same in each case and which terms and conditions may be changed from time to time.
- (d) The Committee shall fix the Exercise Price in its discretion at the time the Option is granted, provided that the Exercise Price shall be fixed by the Committee in Canadian dollars and shall be no less than the Market Price.
- (e) At the time of grant or thereafter, the Committee may determine when an Option will vest and become exercisable and may determine that the Option shall be exercisable in instalments on such terms as to vesting or otherwise as the Committee deems advisable subject to the rules of the Stock Exchange, if any. Unless otherwise determined by the Committee, Options will vest and become exercisable, as to one third of the Options granted, on each of the first, second and third anniversaries of the Date of Grant, provided that the Participant is an Eligible Employee, Eligible Director, Consultant or Other Participant at the time of vesting.
- (f) A Participant may from time to time and at any time during the Option Period, exercise an Option to purchase all or a portion of the Option Shares which such Participant is then entitled to purchase by delivering to the Company at its registered office, a notice in writing which shall specify the number of Option Shares that the Participant desires to purchase accompanied by payment in full of the Exercise Price for such Option Shares plus any amount that the Company determines in its discretion is required to satisfy the Company's withholding tax and source deduction remittance obligations in respect of the exercise of the Options, and the acquisition of Option Shares. Payment may be made by cash, certified cheque, bank draft, money order or such electronic method of payment as may be acceptable to the Company, in each case payable to the order of the Company.
- (g) Notwithstanding the expiration provisions hereof, the expiration date of an Option will be the date fixed by the Board or Committee with respect to such Option unless such expiration date falls within a Blackout Period or within nine Business Days after a Blackout Period Expiry Date, in which case the expiration date of the Option will be the date which is ten Business Days after the Blackout Period Expiry Date. Notwithstanding anything else herein contained, the ten Business Day period referred to in this Section 8(g) may not be extended by the Board or Committee.
- (h) The obligation of the Company to issue and deliver any Common Shares in accordance with the Share Option Plan shall be subject to any necessary approval of any stock exchange or regulatory authority having jurisdiction over the securities of the Company.

If any Common Shares cannot be issued to any Participant upon the exercise of an Option for whatever reason, the obligation of the Company to issue such Common Shares shall terminate and any Exercise Price paid to the Company in respect of the exercise of such Option shall be returned to the Participant.

## **OTHER AWARDS PLAN**

### 9. Other Awards, Vesting, etc.

(a) The Other Awards Plan is hereby established for Eligible Directors, Eligible Employees, Consultants and Other Participants. The Committee shall determine the type and number of Awards that such Participant is entitled to, the term of such Awards and the vesting schedule, if applicable, of such Awards.

(b) Each Award granted to a Participant shall be evidenced by an Award Agreement setting out terms and conditions of the Award, which terms and conditions need not be the same in each case and which terms and conditions may be changed from time to time.

(i) ***Share Appreciation Rights***

The Committee may grant share appreciation rights to Participants in such amounts and subject to such terms and conditions as the Committee shall determine in its discretion. The grantee of a share appreciation right shall have the right, subject to the terms of the Plan and the applicable Award Agreement, to receive from the Company an amount equal to (a) the excess of the Fair Market Value of a Common Share on the date of redemption of the share appreciation right, over (b) the Fair Market Value of a Common Share as of the Date of Grant as set forth in the Award Agreement, multiplied by (c) the number of Common Shares with respect to which the share appreciation right is redeemed. Payment upon redemption of a share appreciation right may be in cash, Common Shares (valued at Fair Market Value), or any combination thereof, all as the Committee shall determine in its discretion.

(ii) ***Restricted Shares***

The Committee may grant Awards of restricted shares to Participants in such amounts and subject to such terms and conditions as the Committee may determine in its discretion, as follows:

(A) At the time of the grant, the Committee may determine when a restricted share will become vested and may determine that the restricted share shall be vested in instalments on such terms as the Committee deems advisable. Unless otherwise provided by the Committee, restricted shares will vest as to one third of the restricted shares granted, on each of the first, second and third anniversaries of the Date of Grant, provided that the Participant is an Eligible Employee, Eligible Director, Consultant or Other Participant at the time of vesting.

- (B) Promptly after a Participant accepts an Award of restricted shares and executes an Award Agreement, the Company shall issue in the Participant's name a Certificate for the number of Common Shares granted as restricted shares. Upon the issuance of such Certificate, the Participant shall have the rights of a shareholder with respect to the restricted shares, subject to any restrictions and conditions as the Committee in its discretion may include in the applicable Award Agreement. Unless the Committee shall otherwise determine, any Certificate issued evidencing Common Shares which are restricted shares shall remain in the possession of the Company or its designated agent until such Common Shares vest and are free of any restrictions specified in the applicable Award Agreement.
- (C) Notwithstanding the restrictions on transfer and assignment of Awards provided in Section 13 of this Plan, the Committee at the time of grant may specify the date or dates (which may depend upon or be related to the attainment of performance goals and other conditions) on which the non-transferability of the restricted shares shall lapse.

(iii) ***Restricted Share Units***

The Committee may grant Awards of restricted share units to Participants in such amounts and subject to such terms and conditions as the Committee shall determine in its discretion. The restricted share units are to be credited to a notional account maintained for the Participant by the Company, or as specified by the Committee, and are subject to adjustment for normal anti-dilution events including the subdivision, consolidation or reclassification of the outstanding Common Shares. In the event that the Company declares a dividend on the Common Shares, dividend equivalents may be awarded by the granting of additional restricted share units credited to the Participant in the Participant's account. A Participant who is granted a restricted share unit will have only the rights of a general unsecured creditor of the Company until payment of Common Shares, cash or other securities or property is made as specified in the applicable Award Agreement. On the payment date, the Participant of each restricted share unit not previously forfeited under the terms of the applicable Award Agreement shall receive Common Shares, cash, securities or other property equal in value to the Common Shares or a combination thereof, as specified by the Committee and set out in the applicable Award Agreement.

(iv) ***Deferred Share Units***

The Committee may grant Awards of deferred share units in the form of units each convertible into one Common Share, in such amounts and subject to such terms and conditions as the Committee shall determine in its discretion. The deferred share units are to be credited to a notional account maintained for the Participant by the Company, or as specified by the Committee, and are subject to adjustment for normal anti-dilution events including the subdivision, consolidation or reclassification of the outstanding Common Shares. In the event that the Company declares a dividend on the Common Shares, dividend equivalents may be awarded by the granting of additional deferred share units credited to the Participant in the Participant's account. A Participant who is

granted deferred share units will have only rights of an unsecured creditor of the Company until such time as payment in Common Shares or cash is made as specified under the applicable Award Agreement. Subject to the provisions of Sections 17 and 18, a Participant is only entitled to payment in respect of the deferred share units when the Participant ceases to be an employee or director of the Company or any Affiliate thereof for any reason. At the time of grant, the Committee shall determine whether the deferred share units shall be redeemed for: (i) Common Shares only, or (ii) at the option of the Participant, Common Shares or the redemption value determined in accordance with the applicable Award Agreement of the deferred share units.

(v) ***Performance Shares and Performance Share Units***

The Committee may grant Awards of performance shares to Participants in the form of (a) Common Shares or (b) performance share units, in such amounts and subject to such terms and conditions as the Committee shall determine in its discretion. A Participant who is granted a performance share unit will have only the rights of a general unsecured creditor of the Company until payment of Common Shares, cash or other securities or property is made as specified in the applicable Award Agreement. In the event that a Certificate is issued in respect of an Award of performance shares in the form of Common Shares, such Certificate shall be registered in the name of the Participant but shall be held by the Company or its designated agent until the time the performance shares are earned and become vested in accordance with the terms of the applicable Award Agreement. The Committee shall determine in its sole discretion whether performance share units shall be settled in Common Shares, cash, securities or other property, or a combination thereof.

(vi) ***Other Equity-Based Awards***

The Committee may grant other types of equity-based or equity-related Awards to Participants (including the grant of unrestricted Common Shares) in such amounts and subject to such terms and conditions as the Committee shall in its discretion determine. Such Awards may entail the transfer of actual Common Shares to Participants, or payment in cash or otherwise of amounts based on the value of Common Shares, and may include, without limitation, Awards designed to comply with or take advantage of the applicable local laws of foreign jurisdictions.

## **GENERAL**

10. **Withholding of Tax**

If the Company determines that under the requirements of applicable taxation laws it is obliged to withhold for remittance to a taxing authority any amount whatsoever in connection with this Plan, any Option or Award or the issuance of any Common Shares, the Company may take such steps for the deduction, withholding and remittance of such amounts. Without limiting the generality of the foregoing, the Company may, as a condition of issuing the Common Shares on the exercise of an Option, require the Participant to pay to the Company, in addition to and in the same manner

and at the same time as the payment of the Exercise Price for the Common Shares, such amount as the Company is obliged to remit to such taxing authority in respect of the issuance of the Common Shares. Other methods of satisfying the withholding and remittance requirements in respect of Options and Awards include: (a) withholding the amount required to be remitted from cash remuneration or other amounts payable to the Participant, whether or not related to the Plan; (b) allowing the Participant to make a cash payment to the Company equal to the amount required to be remitted, which amount shall be remitted by the Company for the account of the Participant; and (c) sell, on behalf of the Participant, that number of Common Shares to be issued such that the amount withheld by the Company from the proceeds of such sale will be sufficient to satisfy any amounts required to be remitted by the Company for the account of the Participant. Where the Company considers that the steps undertaken in connection with the foregoing result in inadequate withholding or a late remittance of taxes, the delivery of any Common Shares to be issued to a Participant may be made conditional on the Participant (or other Person) reimbursing the Company or making arrangements satisfactory to the Company for the payment in a timely manner of all amounts required to be remitted for the account of the Participant.

11. Adjustment in Shares

- (a) The number of Common Shares subject to this Plan, the number of Common Shares available under Awards or Options granted and the Exercise Price and/or cash value allocated to Awards shall be adjusted from time to time, in such manner and by such procedure deemed appropriate by the Committee, subject to applicable law and the applicable rules and policies of the stock exchange to reflect adjustments in the number of Common Shares arising as a result of rights offering, consolidation, subdivision or reclassification of Common Shares, the payment of stock dividends by the Company or other relevant changes in the authorized or issued capital of the Company.
- (b) [Intentionally deleted.]
- (c) In the event of a change in the Company's currently authorized Common Shares which is limited to a change in the designation thereof, the common shares resulting from any such change shall be deemed to be Common Shares within the meaning of the Plan.
- (d) In the event of any other change affecting the Common Shares, such adjustment, if any, shall be made as may be deemed equitable by the Committee to properly reflect such event.
- (e) No fractional Common Shares shall be issued on the redemption or exercise of an Award or the exercise of an Option. Accordingly, if, as a result of any adjustment under this Section 11, a Participant would become entitled to a fractional Common Share, the Participant shall have the right to acquire only the adjusted number of full Common Shares and no payment or other adjustment will be made with respect to the fractional Common Shares so disregarded.
- (f) No provision of this Section 11 shall be given effect to the extent that such provision would cause any Award or Option to be in violation of Section 409A.

12. Required Consents

- (a) If the Committee shall at any time determine that any consent (as hereinafter defined) is necessary or desirable as a condition of, or in connection with, the granting of any Award

or Option, the issuance of Common Shares or the delivery of any cash, securities or other property under the Plan, or the taking of any other action thereunder (each such action being hereinafter referred to as a “plan action”), then such plan action shall not be taken, in whole or in part, unless and until such consent shall have been effected or obtained to the full satisfaction of the Committee.

- (b) The term “consent” as used herein with respect to any plan action includes (i) any and all listings, registrations or qualifications in respect thereof upon any stock exchange or under any applicable law, rule or regulation, (ii) any and all written agreements and representations by the grantee with respect to the disposition of shares, or with respect to any other matter, which the Committee shall deem necessary or desirable to comply with the terms of any such listing, registration or qualification or to obtain an exemption from the requirement that any such listing, qualification or registration be made and (iii) any and all other consents, clearances and approvals in respect of a plan action by any governmental or other regulatory body or any stock exchange or self-regulatory agency having jurisdiction.

13. Transfer and Assignment

Except to the extent otherwise provided in the applicable Award or Option Agreement, no Award or Option or right granted to any Person under the Plan shall be sold, exchanged, transferred, assigned, pledged, hypothecated or otherwise disposed of (including through the use of any cash-settled instrument) other than by will or by the laws of descent and distribution in accordance with Section 14, and all such Awards, Options and rights shall be exercisable during the life of the grantee only by the grantee or the grantee’s legal representative. Notwithstanding the immediately preceding sentence, the Committee may permit, under such terms and conditions that it deems appropriate in its sole discretion, a grantee to transfer any Award (other than Options) to any Person that the Committee so determines.

14. Effect of Death.

If a Participant or, in the case of an Other Participant which is not an individual, the primary individual providing services to the Company or Designated Affiliates on behalf of the Other Participant, shall die, any Option or Award that would have vested within 12 months after the date of such death of the Participant or Other Participant shall vest immediately before the time of death notwithstanding Sections 8(e) and 9(b)(ii)(A), respectively, and such vested Options and Awards may devolve upon the Person or Persons to whom the rights of the Optionee or Award holder under the Option or Award pass by the will of the Optionee or Award holder or the laws of descent and distribution.

15. Employment and Board Position Non-Contractual

The granting of an Award or Option to a Participant under this Plan does not confer upon the Participant any right to continue as an Eligible Employee, Eligible Director, Consultant or Other Participant, as the case may be, nor does it interfere in any way with the right of the Participant or the Company to terminate the Participant’s employment or a Consulting Contract at any time, or the shareholders’ right to elect or remove Directors.



16. Administration of Plan

- (a) The Plan shall be administered by the Committee. Subject to any limitations of the Plan and regulatory requirements the Committee shall have full authority to administer the Plan including the authority to interpret and construe any provision of the Plan and to adopt, amend and rescind such rules and regulations for administering the Plan as the Committee may deem necessary or desirable in order to comply with the requirements of the Plan. Subject to the power and authority of the Board, all actions taken and all interpretations and determinations made by the Committee in good faith shall be final and conclusive and shall be binding on the Company, all Participants and all other Persons affected thereby. No member of the Committee shall be personally liable for any action taken or determination or interpretation made in good faith in connection with the Plan and all members of the Committee shall, in addition to their rights as Directors, be fully protected, indemnified and held harmless by the Company with respect to any such action taken or determination or interpretation made. The appropriate officers of the Company are hereby authorized and empowered to do all things and execute and deliver all instruments, undertakings and applications and writings as they, in their absolute discretion, consider necessary or desirable for the implementation of the Plan and of the rules and regulations established for administering the Plan. All costs incurred in connection with the Plan shall be for the account of the Company.
- (b) The day to day administration of this Plan may be delegated to such officers and employees as the Committee shall determine.

17. Acceleration on Take-over Bid, Consolidation, Merger, etc.

Subject to any action by the Committee under Section 18, in the event that:

- (a) the Company seeks or intends to seek approval from the shareholders of the Company for a transaction which, if completed, would constitute an Acceleration Event (as defined below); or
- (b) a Person makes a *bona fide* offer or proposal to the Company or the shareholders of the Company which, if accepted or completed, would constitute an Acceleration Event,

(either of (a) or (b) being a “**Proposed Transaction**”) (i) the Company shall give written notice of the Proposed Transaction (the “**Acceleration Notice**”) to all Participants holding outstanding Options or Awards as soon as practicable, (ii) the Company shall notwithstanding any vesting schedule applicable to any Option or Award or Sections 8(e) or 9(b)(ii)(A) hereof, accelerate the vesting of all outstanding Options and Awards, remove any other pre-conditions or restrictions on the exercise or redemption of such Options and Awards and accelerate the redemption date of Awards as applicable (such acceleration and removal to be conditional upon completion of the Proposed Transaction), such that all outstanding Options and Awards shall become immediately exercisable or redeemable (provided that any exercise or redemption is to be conditional upon the completion of the Proposed Transaction) during the period specified in the Acceleration Notice (but in no event later than the applicable expiry date of an Option or Award) so that the Participants may participate in or benefit from the Proposed Transaction; and (iii) the Committee may accelerate the expiry dates of all outstanding Options and Awards and the time for the fulfillment of any conditions or restrictions on the exercise or redemption of the Options and Awards. In addition, if, as a result of or in connection with a contested election of Directors, the nominees named in the most recent management information circular of the Company for

election to the Board shall not constitute a majority of the Board, the Company shall, immediately prior to the happening of such event, accelerate the redemption of all outstanding Performance-Based Incentives to the extent the performance/service condition has been met.

The Acceleration Notice shall include such information as is required by an Award Agreement in respect of an Award affected by this Section 17.

An Acceleration Event means:

- (a) the acquisition by any “offeror” (as defined in Section 89 of the *Securities Act* (Ontario)) as of the date hereof) of beneficial ownership of more than 50% of the votes attached to the outstanding voting securities of the Company, by means of a take-over bid or otherwise;
- (b) any consolidation, merger, statutory amalgamation or arrangement involving the Company and pursuant to which the Company will not be the continuing or surviving corporation or pursuant to which the Common Shares will be converted into cash or securities or property of another entity, other than a transaction involving the Company and in which the shareholders of the Company immediately prior to the completion of the transaction will have the same proportionate ownership of the surviving corporation immediately after the completion of the transaction;
- (c) a separation of the business of the Company into two or more entities that are not Subsidiaries of the Company;
- (d) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company to another entity other than a sale, lease, exchange or other transfer to a Subsidiary of the Company; or
- (e) the approval by the shareholders of the Company of any plan of liquidation or dissolution of the Company.

Notwithstanding the foregoing, except as provided in Section 409A, no acceleration of time or schedule of any payment to a U.S. Participant is permitted under this Plan.

#### 18. Proposed Transaction - Securities Exchange.

In the event of a Proposed Transaction, the Committee may send notice to all Participants requiring them to exchange their Options or Awards for replacement options or awards and such Participants shall be deemed to have exchanged such Options or Awards on the date specified in such notice without further formality, provided that:

- (a) the Committee delivers with such notice an irrevocable and unconditional offer by the acquiror to grant replacement options or awards to Participants;
- (b) the Committee has determined, in good faith, that such replacement options or awards have substantially the same economic value as the Options or Awards being exchanged;
- (c) the exchange of Options or Awards for replacement options or awards can be effected on a tax-deferred basis under the *Income Tax Act* (Canada) and the *United States Internal Revenue Code*, as applicable;

- (d) for U.S. Participants, the surrender of Options and Awards and the granting of replacement options and awards shall not be in violation of Section 409A.

19. Notices

All written notices to be given by the Participant to the Company may be delivered personally or by registered mail, postage prepaid, addressed as follows:

**Royal Nickel Corporation**

220 Bay Street, Suite 1200  
Toronto, Ontario  
M5J 2W4

Attention: Chief Financial Officer

Any notice given by the Participant pursuant to the terms of the Option or Award shall not be effective until actually received by the Company at the above address. Any notice to be given to the Participant shall be sufficiently given if delivered personally or by postage prepaid mail to the last address of the Participant on the records of the Company and shall be effective seven days after mailing.

20. Corporate Action

Nothing contained in this Plan or any Option or Award granted shall be construed so as to prevent the Company or any Subsidiary of the Company from taking corporate action which is deemed by the Company or the Subsidiary to be appropriate or in its best interest, whether or not such action would have an adverse effect on this Plan or on any Option or Award granted.

21. Termination of Options and Awards under the Plan

- (a) If (X) a Participant's employment with the Company terminates, whether for or without cause and whether with or without reasonable notice or any reason whatsoever including death, or (Y) a Participant who is an Eligible Director, Consultant or Other Participant for any reason whatsoever including death ceases to be an Eligible Director, Consultant or Other Participant, as the case may be (each a "**Termination**"), the termination date of such Participant (the "**Termination Date**") shall be determined as follows: (i) in the case of death, the Termination Date shall be the date of death; (ii) in the case of a termination of employment, the Termination Date shall be the effective date of such termination as determined by the Committee in its discretion and shall not be the date any reasonable notice would expire in the case of termination by the Company; and (iii) in the case of a Participant who is an Eligible Director, Consultant or Other Participant, the Termination Date shall be the date such Participant ceases to be an Eligible Director, Consultant or Other Participant, as the case may be, as determined by the Committee in its discretion.

Subject to any express provision included in an employment/termination agreement entered into with an Optionee with respect to an Option, which shall in no case provide for an exercise period beyond 12 months from the Termination Date, if such Termination is due to:

- (i) (A) normal retirement under the Company's then existing policies; (B) early retirement at the request of the Company; (C) death; or (D) disability, then there shall be either (w) immediate vesting of all Options and Awards in the specified circumstances where such immediate vesting has been expressly provided for in the employment/termination agreement for a Participant, or (x) immediate vesting of the Options or Awards that would otherwise have vested in the 12 month period following the Termination Date in all other cases, and all other Options or Awards shall expire or be forfeited, as the case may be as of the Termination Date. Restricted shares that have vested as of the Termination Date shall cease to be subject to the restrictions in the applicable Award Agreement. All Options or Awards (other than an award of restricted shares) that have vested as of the Termination Date shall be exercisable or redeemed during the period which is the shorter of: (x) the remainder of the applicable Option Period (or other applicable period in respect of Awards); and (y) 180 days after the Termination Date, after which period, such Options or Awards may no longer vest or be exercised or redeemed and will be deemed to be forfeited, as the case may be; or
- (ii) any reason other than those specified in item (i) (A) to (D), inclusive, then there shall be either (w) immediate vesting of all Options and Awards or immediate vesting of the Options and Awards that would otherwise have vested in the 90 days following the Termination Date, as applicable, in the specified circumstances where such immediate vesting has been expressly provided for in the employment/termination agreement for a Participant, or (x) no accelerated vesting of the Options and Awards in all other cases, and all other Options or Awards that have not vested as of the Termination Date shall expire or be forfeited, as the case may be as of the Termination Date. Restricted shares that have vested as of the Termination Date shall cease, as of the applicable Termination Date, to be subject to the restrictions in the applicable Award Agreement, and all Options and Awards (other than an award of restricted shares) that have vested as of the Termination Date shall be exercisable or redeemed, as the case may be, during the period which is the shorter of: (y) the remainder of the applicable Option Period (or other applicable period in respect of Awards), and (z) 90 days after the Termination Date, after which period, the Options and/or Awards may no longer be exercised or redeemed and will be deemed to be forfeited, as the case may be.

22. Amendment or Termination of the Plan

- (a) Subject to Section 22(c), the Committee may amend, suspend or terminate the Plan, or any portion thereof, at any time, provided that no such amendment, suspension or termination may:
  - (1) be made without obtaining any required regulatory approvals; or
  - (2) adversely affect the rights of any Optionee or holder of an Award who holds an Option or Award at the time of any such amendment, without the consent of the affected Optionee or Award holder..

- (b) Without limiting the generality of the foregoing, the Committee may from time to time, in the absolute discretion of the Committee and without shareholder approval, make the following amendments to the Plan or any Option or Award granted under the Plan:
- (1) an amendment to the purchase price of any Option or Award, unless the amendment is a reduction in the purchase price of an Option or Award benefitting an Insider to a price below the purchase price applicable to such Option or Award determined at the Date of Grant (including a cancellation and re-grant of an Option at a lower price less than three months after the related cancellation);
  - (2) an amendment to the termination provisions of the Plan or any Option or Award, provided such amendment does not extend the expiry date or term of the Option or Award beyond the expiry date or term determined at the Date of Grant;
  - (3) an amendment to the vesting provisions of the Plan and any Option Agreement or Award Agreement granted under the Plan;
  - (4) an amendment to provide or modify a cashless exercise feature to an Option or the Plan, whether or not there is a full deduction of the number of underlying Common Shares from the total number of Common Shares available for issuance under the Plan;
  - (5) an addition to, deletion from or alteration of the Plan or an Option or Award that is necessary to comply with applicable law or the requirements of any regulatory authority or the Stock Exchange;
  - (6) any amendment of a “housekeeping” nature, including, without limitation, amending the wording of any provision of this Plan for the purpose of clarifying the meaning of existing provisions, to correct or supplement any provision of this Plan that is inconsistent with any other provision of this Plan, to correct grammatical or typographical errors, or to amend the definitions contained within this Plan respecting the administration of the Plan;
  - (7) any amendment respecting the administration of this Plan; and
  - (8) any other amendment, whether fundamental or otherwise, that does not require shareholder approval under Section 22(c) or under applicable law or the requirements of any regulatory authority or the Stock Exchange.
- (c) Shareholder approval will be required for the following amendments to the Plan:

- (1) any increase to the maximum number of Common Shares issuable, either as a fixed number or a fixed percentage of the Company's outstanding Common Shares;
- (2) any amendment to remove or exceed the Insider participation limit;
- (3) any amendment to an amending provision within the Plan;
- (4) any reduction in the purchase price of an Option or Award benefitting an Insider to a price below the purchase price applicable to such Option or Award determined at the Date of Grant (but excluding, for greater clarity, a cancellation and re-grant of an Option at a lower price where the re-grant occurs at least three months after the related cancellation); and
- (5) any extension of the expiry date or term of an Option or Award benefitting an Insider beyond the expiry date or term determined at the Date of Grant.

23. Governing Law

This Plan is established under the laws of Ontario and the rights of all parties and the construction and effect of each provision of this Plan shall be according to the laws of Ontario and the laws of Canada applicable in Ontario.

24. Government Regulation

The Company's obligation to issue and deliver Common Shares under any Option or Award is subject to:

- (a) the satisfaction of all requirements under applicable securities law in respect thereof and obtaining all regulatory approvals as the Company shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
- (b) the admission of such Common Shares to listing on any stock exchange in Canada or the United States on which Common Shares may then be listed; and
- (c) the receipt from the Participant of such representations, agreements and undertakings as to future dealings in such Common Shares as the Company determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

In this connection, the Company shall take all reasonable steps to obtain such approvals and registrations as may be necessary for the issuance of such Common Shares in compliance with applicable securities laws and for the listing of such Common Shares on a stock exchange in Canada or the United States on which the Common Shares are then listed.

25. Approvals

This Plan shall be subject to shareholder approval and acceptance by the Stock Exchange in compliance with all conditions imposed by the Stock Exchange. Any Awards or Options granted prior to such acceptance shall be conditional upon such acceptance being given and any conditions complied with and no Options or Awards may be exercised unless such acceptance is given and such conditions are complied with.

26. Unfunded and Unsecured Plan

The Plan shall be unfunded and the Company will not secure any of its obligations under the Plan.

27. Internal Revenue Code Section 409A

For any Options or Awards granted under this Plan to U.S. Participants, nothing in this Plan (or administration thereof) nor any such Options or Awards are intended to violate or shall be construed in a manner that would result in a violation of Section 409A.

28. Independent Advice

By accepting an Option or Award, each Participant shall be deemed to have acknowledged that he or she has been advised to retain independent legal, tax and financial advisors at his or her own expense and agreed that any failure on his or her part to retain legal, tax or financial advisors shall not affect the validity of this Plan.

## APPENDIX A

### PROVISIONS APPLICABLE TO GRANTS OF DEFERRED SHARE UNITS TO U.S. PARTICIPANTS

- A-1. **Purpose and Application.** The purposes of this Appendix A to the Royal Nickel Corporation Deferred Share Unit Agreement pursuant to the Royal Nickel Corporation 2010 Share Incentive Plan (the “**Plan**”) is to modify, supersede and supplement the terms of the DSU Agreement and the Plan as they relate to certain amendments required or permitted under certain provisions of the American Jobs Creation Act (“**AJCA**”). This Appendix is intended as good faith compliance with the requirements of AJCA and is to be construed in accordance with Section 409A of the Internal Revenue Code (the “**Code**”), Internal Revenue Service (“**IRS**”) Notice 2005-1, final Treasury Regulations to Section 409A, and additional guidance by the IRS, as these may be amended from time to time (collectively, “**Section 409A**”).

The provisions of this Appendix apply only to Participants who are citizens or residents of the United States or otherwise subject to United States personal taxation (“**U.S. Participants**”) effective as of June 3, 2010, and will supersede the provisions of the DSU Agreement and the Plan with respect to U.S. Participant to the extent those provisions are inconsistent with the provisions of this Appendix.

- A-2. **Disability.** The following definition of Disability shall apply to U.S. Participants:

“**Disability**” shall have the meaning set forth in Section 409A.

- A-3. **Termination of Employment/Termination Date.** Termination of Employment for a U.S. Participant shall have the meaning of “separation from service” for the purposes of Section 409A. Termination Date for a U.S. Participant shall be the date a “separation from service” for purposes of Section 409A occurs. If any difference shall arise between Termination of Employment and “separation from service”, the Section 409A definition shall prevail. Where this is the case, the shares transferred to the Participant in settlement of the DSU Award shall be newly-issued.

- A-4. **Deferral Election.** The following paragraph shall be incorporated in Section 1 (“Issuance of Deferred Share Units”) of the DSU Agreement entered into by a U.S. Participant:

The grant of Deferred Share Units that result from deferrals of the director’s fees shall also be subject to the U.S. Participant’s duly filing with the Committee of a “Deferral Election” substantially in the form presented in the attached appendix.

- A-5. **Timing of Deferral Election.**

- (1) For the first year of the DSU Agreement and the Plan or the first year of participation, as of the effective date of the DSU Agreement and the Plan, Participants who wish to defer their director’s fees must file their Deferral Elections with the Committee within 30 days after becoming an “eligible participant” in the Plan, as defined by Section 409A (taking into account plans that are required to be aggregated for the purposes of Section 409A).



- (2) For any subsequent year, executives who wish to be Participants must file their Deferral Election with the Committee no later than December 31st prior to the start of the year during which the director's fees to which such election shall apply will be earned.
- (3) Such election shall be an "initial deferral election" for the purposes of Section 409A and shall only apply to director's fees not yet earned. No subsequent deferral elections are permitted under the DSU Agreement and the Plan.

A-6. **Distribution Date.** The following definition of Distribution Date shall apply to U.S. Participants in lieu of any reference to a settlement/payment/distribution/redemption date under the DSU Agreement and the Plan (as applicable to Deferred Share Unit Awards):

"**Distribution Date**" with respect to a U.S. Participant to whom a Termination Date has occurred will be within 30 days from the Termination Date, and the service provider shall not have a right to designate the taxable year of the payment.

A template of Deferral Election is attached in the appendix.

A-7. **Amount of Deferral.** The following paragraph shall be incorporated in Section 6 ("Vesting; Acceleration") of the DSU Agreement entered into by a U.S. Participant:

Each Participant who is a U.S. Participant will receive all of his or her director's fees in form of DSUs, to the extent such Participant has made the "Deferral Election" specified in the attached appendix.

A-8. **Delay of Settlement of Deferred Share Units for U.S. Participant "Key Employees".** Notwithstanding any other provision of the Plan or this Appendix, if the Company determines that the U.S. Participant is a "specified employee," as defined in Section 409A(a)(2)(B)(i) of the Code and any subsequent regulatory guidance issued under Section 409A, at the time the U.S. Participant's benefits become payable, to the extent necessary to avoid application of any adverse tax consequences of Section 409A, any payment due during the six months immediately following the U.S. Participant's separation from service shall be withheld and paid on the day that is six months and one day after the U.S. Participant's separation from service.

A-9. **No Acceleration of Payments.** The following paragraph shall be incorporated in Section 17 ("Acceleration, Take-over Bid, Consolidation, Merger etc.") of the Plan:

Except as provided in Section 409A, no acceleration of time or schedule of any payment to a U.S. Participant is permitted under the Plan.

A-10. **Section 409A compliance.**

- (1) The DSU Agreement and the Plan provisions applicable to Deferred Share Unit Awards, and the administration thereof, are intended to be in compliance with the requirements of Section 409A. Nothing in the DSU Agreement, the Plan provisions applicable to Deferred Share Unit Awards, or an amendment thereof, shall be construed as causing the DSU Award to be in violation of the requirements of Section 409A. The DSU Agreement and the Plan shall all times be administered without causing a violation of the requirements of Section 409A.

- (2) The following paragraph shall be added as paragraph (f) to Section 11 (“Adjustment in Shares”) of the Plan:

No provision of this Section 11 shall be given effect to the extent that such provision would cause any Award to be in violation of Section 409A.

- (3) The following paragraph shall be added as paragraph (d) to Section 18 (“Securities Exchange Take-over Bid”) of the Plan:

The surrender of Options or Awards and the granting of surrender options or awards shall not be in violation of Section 409A.

**ROYAL NICKEL CORPORATION  
DEFERRED SHARE UNIT AGREEMENT**

**DEFERRAL ELECTIONS  
U.S. PARTICIPANTS**

1. In accordance with the DSU Agreement and the Plan, I hereby elect to receive a portion of my director's fees in the form of Deferred Share Units. I elect to receive my director's fees as follows with such election to be effective immediately and unless and until it is changed in accordance with the terms of the DSU Agreement:
  - 1.1 Director's fees:
    - (a) \_\_\_\_\_ in Deferred Share Units; and
    - (b) \_\_\_\_\_ in cash.
2. The Distribution of my Deferred Share Units (less any tax withholdings the Company may be required to make under applicable tax laws) will be made in a lump sum within 30 days from the Termination Date, as determined by the Company, in accordance with the terms of the DSU Agreement.
3. I understand that if I am a "specified employee" for the purposes of Section 409A, Distribution will take place six months and one day after my Termination Date.
4. I confirm that:
  - (a) I have received and reviewed a copy of the DSU Agreement and the Plan and agree to be bound by it;
  - (b) I understand that this Deferral Election is subject to the terms and conditions set forth in the DSU Agreement, and that all capitalized terms and undefined terms in this Deferral Election have the meanings attributed to them in the DSU Agreement and the Plan.
  - (c) I understand and agree that this election is irrevocable for the \_\_\_\_\_ taxable year;
  - (d) I understand that this election to defer compensation is subject to Section 409A. Any portion of this agreement which is not in conformity with the aforementioned will be null and void.

**Date:** \_\_\_\_\_

**PARTICIPANT**

\_\_\_\_\_  
Signature of Participant

Name:

Title:

Date:

**APPENDIX D**  
**TEXT OF RESOLUTION AND BY-LAW NO. 2**

**BE IT RESOLVED THAT:**

1. By-Law No. 1 of Royal Nickel Corporation (the “**Corporation**”) is repealed, provided that such repeal shall not affect the operation of such by-law prior to such repeal or affect the validity of any act done, or right, privilege, obligation or liability acquired or incurred under, or the validity of any contract or agreement made pursuant to, such by-law prior to its repeal;
2. By-Law No. 2 of the Corporation, the full text of which is attached as Exhibit 1 hereto, being a by-law regulating the business and affairs of the Corporation, is confirmed as made by the board of directors of the Corporation; and
3. any director or officer of the Corporation be and is hereby authorized and directed to execute and deliver for and in the name of and on behalf of the Corporation all such certificates, instruments, agreements, documents and notices and to do all such other acts and things as in such person’s opinion may be necessary or desirable for the purpose of giving effect to this resolution.

**EXHIBIT 1 TO Appendix D**

**BY-LAW NO. 2**

A by-law relating generally to the  
transaction of the business and affairs of

**ROYAL NICKEL CORPORATION**

(the “**Corporation**”)

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## **ARTICLE 1 DEFINITIONS**

### **1.1 Definitions**

In this By-law, any capitalized term used, but not otherwise defined, has the meaning given to that term in the Act. In addition, the following terms have the following meanings:

- 1.1.1 “**Act**” means the *Canada Business Corporations Act* and all regulations made under that Act, as it may be amended or replaced, and any reference to a particular provision of that Act will be deemed also to be a reference to any similar provision resulting from its amendment or replacement;
- 1.1.2 “**Board**” means the board of directors of the Corporation;
- 1.1.3 “**By-law**” means this by-law, as amended or restated; and
- 1.1.4 “**Corporation**” means Royal Nickel Corporation.

## **ARTICLE 2 BOARD**

### **2.1 Fixed Board and Election of Directors**

Where the Articles provide for a fixed number of directors, the number to be elected to the Board will be the number set out in the Articles.

### **2.2 Floating Board and Election of Directors**

Where the Articles provide for a minimum and maximum number of directors, the number to be elected to the Board will be the number within that minimum and maximum elected at the annual meeting of shareholders.

## **ARTICLE 3 MEETINGS OF DIRECTORS**

### **3.1 First Meeting of New Board**

Immediately following an annual or special meeting of shareholders electing directors, the Board may, without notice, hold its first meeting for any business that may come before the meeting, provided a quorum of the Board is present.

### **3.2 Number of Directors**

Provided any of the issued securities of the Corporation remain outstanding and are held by more than one person, the Corporation will have not fewer than three directors, at least two of whom are not officers or employees of the Corporation or its affiliates.

### **3.3 Place and Notice of Meetings**

Unless the Articles otherwise provide, meetings of the Board may be held at the registered office of the Corporation or at any other place within or outside Canada as determined by the Board. Subject to the



Act, the By-laws and any resolution of the Board, notice of the time and place of a meeting of the Board will be given by any director or officer to each director not less than 48 hours before the time when the meeting is to be held but if any one of the Chairperson of the Board, the President or the Chief Executive Officer considers it a matter of urgency that a meeting of the Board be convened, he or she may give notice of a meeting by means of any telephonic, electronic or other communication facility no less than one hour before the meeting. No notice of a meeting will be necessary if all the directors in office are present or if those absent waive notice of that meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called. Subject to the Act, a notice of a meeting of the Board need not specify the purpose of or the business to be transacted at the meeting.

### **3.4 Meeting by Electronic Means, etc.**

If all the directors of the Corporation consent, a meeting of the Board or of a committee of the Board may be held by means of any telephonic, electronic or other communication facility that permits all persons participating in the meeting to communicate adequately with each other during the meeting, and a director participating in a meeting by those means is deemed to be present at that meeting.

### **3.5 Quorum**

Unless otherwise required by-law or provided in the Articles, a majority of the Board constitutes a quorum at any meeting of the Board.

### **3.6 Chair of a Meeting**

The chair of any meeting of the Board will be selected in descending order from the following list of officers, with the position going to the first selected officer who has been appointed, who is a director, and who is present at the meeting:

3.6.1 the Chairperson of the Board; and

3.6.2 the President.

If all those officers are absent, or unable or unwilling to act, the directors present at the meeting will choose one of their number to be chair of the meeting.

### **3.7 Votes to Govern**

Unless otherwise required by the Act or the Articles, at all meetings of the Board, every question will be decided by a majority of the votes cast on the question. In case of an equality of votes on any question, the chair of the meeting will not be entitled to a second or casting vote.

## **ARTICLE 4 PROTECTION OF DIRECTORS, OFFICERS AND OTHERS**

### **4.1 Indemnity**

4.1.1 Subject to the Act, the Corporation will indemnify a director or officer of the Corporation, a former director or officer of the Corporation, or another individual who acts or acted at the Corporation's request as a director or officer, or an individual acting in a similar capacity, of another entity, and his or her heirs and Personal Representatives, against all costs, charges and

expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him or her in respect of any civil, criminal, administrative, investigative or other proceeding in which he or she is involved because of his or her association with the Corporation or other entity if:

- 4.1.1.1 he or she acted honestly and in good faith with a view to the best interests of the Corporation or, as the case may be, to the best interests of the other entity for which he or she acted as a director or officer or in a similar capacity at the Corporation's request; and
  - 4.1.1.2 in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he or she had reasonable grounds for believing that his or her conduct was lawful.
- 4.1.2 The right to indemnity provided in this Section 4.1 will include the right to the advance of moneys from the Corporation for the costs, charges and expenses of a proceeding referred to in Section 4.1.1, which moneys must be repaid if the individual to whom they were advanced has not fulfilled the conditions set out in Section 4.1.1. The Corporation will also indemnify the persons listed in Section 4.1.1 in any other circumstances that the Act permits or requires. Nothing in this By-law will limit the right of any person entitled to indemnity to claim indemnity apart from the provisions of this By-law.
- 4.1.3 The Corporation is authorized to execute agreements evidencing its indemnity in favour of the persons described in this Section 4.1 to the fullest extent permitted by-law.

## **ARTICLE 5 MEETINGS OF SHAREHOLDERS**

### **5.1 Place of Meetings**

Subject to the Act and the Articles, meetings of shareholders will be held within Canada, on the dates and at the times as determined by the Board, and at the place where the registered office of the Corporation is located or at any other place as determined by the Board. A meeting of shareholders may also be held outside Canada if the Articles specify or if all the shareholders entitled to vote at the meeting agree.

### **5.2 Notice of Meetings**

Notice of the time and place of each meeting of shareholders will be given, not less than 21 days and not more than 60 days before the date of the meeting, to each director, to the auditor of the Corporation, and to each shareholder who is entitled to vote at the meeting. Notice of a meeting of shareholders called for any business other than consideration of the financial statements and auditor's report, election of directors, and reappointment of the incumbent auditor, will state the nature of that business in sufficient detail to permit a shareholder to form a reasoned judgment concerning that business, and will state the text of any Special Resolution or by-law to be submitted to the meeting. A shareholder and any other person entitled to attend a meeting of shareholders may, in any manner and at any, time waive notice of a meeting of shareholders.

### **5.3 Chair of a Meeting, Secretary and Scrutineers**

The chair of any meeting of shareholders will be selected in descending order from the following list of officers, with the position going to the first selected officer who has been appointed, who is a director, and who is present at the meeting:

5.3.1 the Chairperson of the Board; and

5.3.2 the President.

If none of those officers is present within 15 minutes after the time appointed for holding the meeting, the persons present and entitled to vote at the meeting will choose a director as chair of the meeting and if no director is present or if all the directors decline to take the chair then the persons present and entitled to vote will choose a person from their number to be chair of the meeting. The Secretary of the Corporation will be secretary of any meeting of shareholders, but if the Secretary of the Corporation is not present, the chair of the meeting will appoint a person, who need not be a shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be shareholders, may be appointed by the chair of the meeting.

### **5.4 Persons Entitled to be Present**

The only persons entitled to be present at a meeting of shareholders will be those entitled to vote at that meeting, the directors and auditors of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act, the Articles or the By-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chair of the meeting or with the consent of the meeting.

### **5.5 Quorum**

Two persons present in person, each being a shareholder entitled to vote at the meeting or a duly appointed proxyholder for an absent shareholder entitled to vote at the meeting, will be a quorum at any meeting of Shareholders for the purposes of choosing a chair of the meeting; for all other purposes, a quorum at any meeting of shareholders will be not less than two persons present in person, each being a holder of shares entitled to vote at the meeting or a duly appointed proxyholder for an absent shareholder entitled to vote at the meeting, who hold or represent by proxy not less than 10% of the shares issued and outstanding as of the record date for the meeting. If a quorum is present at the opening of a meeting of shareholders, the shareholders present or represented may proceed with the business of the meeting, even if a quorum is not present throughout the meeting. If a quorum is not present at the time appointed for a meeting of shareholders, or within any reasonable time following that time as the shareholders present or represented may determine, the chair of the meeting may adjourn the meeting to a fixed time and place not less than seven days later but may not transact any other business. At that adjourned meeting, two persons present in person, each being a shareholder entitled to vote at the meeting or a duly appointed proxyholder for an absent shareholder entitled to vote at the meeting will constitute a quorum (whether or not they hold shares representing, in the aggregate, 10% of the shares entitled to vote at the adjourned meeting) and may transact the business for which the meeting was originally called, even if this quorum is not present throughout the meeting.

## **5.6 Proxies**

- 5.6.1 The management of the Corporation will, concurrently with giving notice of a meeting of shareholders, send a form of proxy in prescribed form to each shareholder who is entitled to receive notice of the meeting.
- 5.6.2 A management proxy circular in prescribed form, either as an appendix to or as a separate document accompanying the notice of the meeting of shareholders, must be sent to the auditor of the Corporation, to each shareholder whose proxy is solicited under Section 5.6.1, and to each director of the Corporation.
- 5.6.3 A copy of the management proxy circular referred to in Section 5.6.2 must be sent concurrently to the Director under the Act, together with a statement in prescribed form, the form of proxy, any other documents for use in connection with the meeting, and a copy of the notice of meeting.
- 5.6.4 Subject to the Act, the Board may fix a deadline by which proxies to be used at a meeting of shareholders or any adjournment of it must be deposited with the Corporation or an agent of the Corporation. No proxy delivered after that deadline will be acted upon, unless that deadline is waived by the chair of the meeting at his or her discretion.

## **5.7 Votes to Govern**

Unless otherwise required by the Act or the Articles, at all meetings of shareholders, every question will be decided by a majority of the votes cast on the question. In case of an equality of votes on any question, the chair of the meeting will not be entitled to a second or casting vote.

## **5.8 Right to Vote**

Unless the Articles otherwise provide, each share of the Corporation entitles its holder to one vote at a meeting of shareholders. Subject to the exceptions provided under the Act, a holder of a fractional share is not entitled to exercise voting rights in respect of the fractional share.

## **5.9 Manner of Voting**

- 5.9.1 Voting at a meeting of shareholders will be by show of hands, except where a ballot is demanded by a shareholder or proxyholder entitled to vote at the meeting. Even if a vote has already been taken by a show of hands, any shareholder or proxyholder entitled to vote at the meeting on that matter may require a ballot on that matter and the subsequent ballot result will be the decision of the shareholders with respect to that matter.
- 5.9.2 Where no ballot is demanded or required following a vote by a show of hands upon a question, a declaration by the chair of the meeting that the vote upon the question has been carried, carried by a particular majority or not carried, and an entry to that effect in the minutes of the meeting, will be *prima facie* evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of that question, and the result of the vote taken will be the decision of the shareholders with respect to that question.
- 5.9.3 A ballot, if demanded or required, will be taken in the manner the chair of the meeting directs. A demand or requirement for a ballot may be withdrawn at any time before the taking of the

ballot. If a ballot is taken, each person present will be entitled, in respect of the shares which he is entitled to vote at the meeting upon the question, to that number of votes provided by the Act or the Articles, and the result of the ballot will be the decision of the shareholders with respect to that question.

- 5.9.4 If a telephonic or electronic meeting of shareholders is held, then any person participating in, and entitled to vote at, that meeting may vote, in accordance with the Act, by means of the telephonic, electronic or other communication facility that the Corporation has made available for that purpose. Any vote at a meeting of shareholders may be held, in accordance with the Act, entirely by means of a telephonic, electronic or other communication facility, if the Corporation makes available that communication facility.

## **5.10 Advance Notice of Director Nominations**

- 5.10.1 Subject to Section 5.10.2, nominations of persons for election as directors at a meeting of shareholders may be made only:

5.10.1.1 by or at the direction of the Board;

5.10.1.2 pursuant to a requisition of a meeting of shareholders or a proposal, in each case made in accordance with the Act; and

5.10.1.3 by a Nominating Shareholder who delivers a Nomination Notice to the Corporation within the Nomination Window by personal delivery to the Corporation's registered office addressed to the Chief Executive Officer or by fax or email (at such fax number or email address as stipulated from time to time by the Corporation under its profile on SEDAR at [www.sedar.com](http://www.sedar.com)).

- 5.10.2 The Board may, prior to the meeting of shareholders, in its sole discretion, waive any requirement in this Section 5.10. Unless waived by the Board, in no event shall any adjournment or postponement of a meeting of shareholders or the announcement thereof commence a new Nomination Window.

- 5.10.3 For the purposes of Section 5.10, the following terms have the following meanings:

5.10.3.1 “**Local Time**” means the local time at the Corporation's registered office.

5.10.3.2 “**Meeting Announcement Date**” in respect of a meeting of shareholders means, the date of the first public filing or announcement of the date of that meeting.

5.10.3.3 “**Nomination Notice**” means a written notice that sets forth (i) all information that would be required to be disclosed in a dissident proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and applicable securities laws relating to a Nominating Shareholder (as if that Nominating Shareholder were a dissident soliciting proxies) and each person whom that Nominating Shareholder proposes to nominate for election as a director; (ii) the class and number of shares of the Corporation held, directly or indirectly, by or on behalf of that Nominating Shareholder; (iii) confirmation that the proposed nominees meet the qualifications of directors and residency requirements set out in the Act; and (iv) confirmation as to whether each proposed nominee is independent for the purposes of National Instrument 52-110.

- 5.10.3.4 “**Nominating Shareholder**” in respect of a meeting of shareholders means, a person who is a registered or beneficial holder of one or more shares of the Corporation carrying the right to vote on the election of directors at that meeting as of (i) the record date for that meeting and (ii) the date on which the Nomination Notice is delivered to the Corporation.
- 5.10.3.5 “**Nomination Window**” in respect of a meeting of shareholders means, the period of time:
- i) in the case of an annual meeting, if that meeting is called for a date that is fewer than 50 days following the Meeting Announcement Date, starting at 9:00 a.m. (Local Time) on the Meeting Announcement Date and ending at 5:00 p.m. (Local Time) on the 10th day following the Meeting Announcement Date, and otherwise starting at 9:00 a.m. (Local Time) on the date that is 65 days prior to the date of that meeting and ending at 5:00 p.m. (Local Time) on the date that is 30 days prior to the date of that meeting; or
  - ii) in the case of a special meeting (which is not also an annual meeting) called for the purpose of electing directors (whether or not called for other purposes), starting at 9:00 a.m. (Local Time) on the Meeting Announcement Date and ending at 5:00 p.m. (Local Time) on the 15th day following the Meeting Announcement Date.

## **ARTICLE 6 MISCELLANEOUS**

### **6.1 Execution of Instruments**

Deeds, transfers, assignments, contracts, obligations, certificates and other instruments may be signed on behalf of the Corporation by any one director or officer. The board may, from time to time, direct by resolution the manner in which and the person or persons by whom any particular instrument or class of instruments may or shall be signed.

### **6.2 Notice to Joint Shareholders**

If two or more persons are registered as joint holders of any share, any notice will be addressed to all of those joint holders, but notice to one of the joint shareholders will be sufficient notice to all of them.

### **6.3 Omissions and Errors**

The accidental omission to give any notice to, or the non-receipt of any notice by, any shareholder, director, officer, auditor or member of a committee of the Board, or any error in any notice not affecting the substance of the notice, will not invalidate any action taken at any meeting held under or otherwise founded on that notice.

### **6.4 Repeal**

By-law No. 1 of the Corporation is repealed. The repeal of By-law No. 1 will not affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under it or the validity of any contract or agreement made under it. All resolutions of the shareholders, the Board or committees of the

Board with continuing effect passed under repealed By-law No. 1 will continue in effect except to the extent inconsistent with this By-law.

**ENACTED** by the directors of the Corporation under the Act.

**DATED** March 26, 2013.

*(signed) Tyler Mitchelson*  
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Tyler Mitchelson — Chief Executive Officer