ROYAL NICKEL CORPORATION

(Doing business as RNC Minerals)

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE MONTHS ENDED MARCH 31, 2018

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INTRODUCTION

The following management's discussion and analysis ("**MD&A**") of the financial condition and results of the operations of Royal Nickel Corporation and its subsidiaries ("**RNC**", "**RNC Minerals**", "**Royal Nickel**" or the "**Corporation**") constitutes management's review of the factors that affected the Corporation's financial and operating performance for the three months ended March 31, 2018. This MD&A dated May 11, 2018, is intended to supplement and complement the Corporation's unaudited condensed consolidated interim financial statements – prepared in accordance with International Financial Reporting Standards ("**IFRS**"), applicable to the preparation of interim financial statements including IAS 34 Interim Financial statements – and related notes for the three months ended March 31, 2018 and should be read in conjunction with the audited consolidated financial statements and MD&A for the year ended December 31, 2017 and the Corporation's most recent Annual Information Form on file with Canadian provincial securities regulatory authorities and available at www.sedar.com. Unless otherwise noted, all amounts presented are in thousand Canadian dollars.

DESCRIPTION OF BUSINESS

RNC is a mineral resource company primarily focused on the acquisition, responsible development and operation of a high-quality portfolio of base and precious metals assets. The Corporation is a gold, nickel and copper producer and its principal assets are: a 50% interest in the Magneto Investments Limited Partnership ("**Magneto**" or "**Magneto JV**"), which owns the Dumont Nickel-Cobalt Project, strategically located in the established Abitibi mining camp, 25 kilometres northwest of Amos, Quebec; a 100% interest in Salt Lake Mining Pty Ltd ("**Salt Lake Mining**" or "**SLM**"), which owns the Beta Hunt Mine ("**Beta Hunt**"); and a 100% interest in VMS Ventures Inc. ("**VMS Ventures**" or "**VMS**"), which owns 29% of the Reed Mine, located in Manitoba. The Corporation also has a 44% holding in the Qiqavik and West Raglan exploration projects, represented by a 44% equity interest in Orford Mining Corportion ("**Orford**"). In addition to these assets the Corporation holds interests in certain other properties, as set out below under "*Mineral Exploration Properties*". The Corporation's common shares are traded on the Toronto Stock Exchange ("**TSX**") (TSX symbol RNX).

Through out this document, reference is made to results from both continuing and discontinued operations. Current period results for properties that are classified as held for sale as at March 31, 2018 have been reclassified as discontinued operations.

<u>Continuing operations</u>

Dumont Nickel-Cobalt Project

Since acquiring the Dumont Nickel-Cobalt Project in 2007, RNC has undertaken an exploration and evaluation program to evaluate and develop the mineral resources. In its detailed evaluation of the Dumont Nickel-Cobalt Project, RNC has completed the following successive National Instrument 43-101 ("**NI 43-101**") technical reports:

- Preliminary Economic Assessment – September 3, 2010
- Pre-feasibility Study – December 16, 2011
- Revised Pre-feasibility Study – June 22, 2012
- Feasibility Study – July 25, 2013

These technical reports were supported by detailed exploration and evaluation work including over 171,000 metres of diamond drilling at regularly spaced sections in order to delineate the mineral resource, assess geotechnical properties of the rock and evaluate regional exploration targets on the Dumont property. In addition to the resource definition, several programs intended to characterize the deposit and its environment have been undertaken to support development studies. These include geological interpretation studies, deposit and geotechnical modeling, and sampling for metallurgical testing. Detailed laboratory scale metallurgical testing on representative samples from the Dumont Nickel-Cobalt Project has been undertaken leading to a standard flowsheet design and estimate of nickel recovery and concentrate quality.

The NI 43-101 compliant feasibility study technical report on the Dumont Nickel-Cobalt Project dated July 25, 2013 and uploaded October 24, 2013 is available on SEDAR at www.sedar.com.

On April 20, 2017, RNC closed a joint venture transaction with Waterton Precious Metals Fund II Cayman, LP and Waterton Mining Parallel Fund Onshore Master, LP (collectively, "Waterton"). Under the terms of the transaction, Waterton acquired a 50% interest in the Dumont Nickel-Cobalt Project. RNC and Waterton formed a 50/50 nickel joint venture that owns Dumont and will advance the project.

VMS Ventures Inc.

On April 27, 2016, the Corporation acquired 100% of VMS Ventures. VMS is a private company whose main asset is an interest in the Reed Mine, a low-cost copper producer located near Flin Flon, Manitoba. VMS also holds interests in mineral properties adjacent to Reed Mine.

VMS announced the discovery of the Reed property in 2007, and signed a joint venture agreement with Hudbay Minerals Inc. in 2010 under which Hudbay became the 70% owner and operator of the Reed project and VMS retained a 30% participating interest. In December 2011, Hudbay approved the construction of the Reed Mine. The capital construction budget for Reed was CDN$72 million. Production at Reed commenced in September 2013 and the mine commenced commercial production on April 1, 2014.

Orford Mining Corporation

On June 17, 2014, the Corporation acquired a 56% interest (which was subsequently increased to 67%) in True North Nickel Inc. (“TNN”), a private company whose main asset was a 100% interest in the West Raglan nickel sulphide project located in Northern Quebec.

On March 2, 2016 the Corporation announced that TNN had discovered a new high grade gold, silver, copper and zinc mineralized trend at its newly consolidated Qiqavik Project near the West Raglan project.

On July 25, 2017, TNN entered into an amalgamation agreement with Focused Capital Corp.(“Focused”) and its wholly-owned subsidiary (“Focused Subco”) pursuant to which Focused Subco and TNN will amalgamate.

On October 20, 2017, TNN closed private placements on July 25, 2017 and September 15, 2017 and received net proceeds of $2,422.

On October 23, 2017, a reverse takeover (“RTO”) and amalgamation closed. Through a series of transactions, TNN and Focused Subco amalgamated and the resulting entity was renamed Orford Mining Limited (“OML”), a wholly-owned subsidiary of Focused. Focused was renamed Orford.

On October 27, 2017, Orford, in which the Corporation now has a 44% equity stake (as of the date of this MD&A), commenced trading on the TSX Venture Exchange (the "TSXV") under the ticker symbol "ORM". Orford owns all the assets of RNC’s former TNN subsidiary, including the Qiqavik and West Raglan projects in Northern Quebec and Carolina Gold Belt properties.

On December 27, 2017, Orford and OML amalgamated and the amalgamated company continued as Orford.

Discontinued operations

Salt Lake Mining

As a result of a series of transactions completed between February and May 2016, the Corporation acquired 100% of Salt Lake Mining, a private company whose main asset is a 100% interest in the Beta Hunt Mine, a nickel and gold producer located in the prolific Kambalda mining district of Australia. The Beta Hunt Mine is located 600 km east of Perth in Kambalda, Western Australia. SLM acquired the property in 2013 and succeeded in re-combining the nickel and gold rights. Nickel operations were re-started in 2014 and have operated continuously since then. Initial gold production occurred in June and July, 2014 and recommenced at the end of 2015. With the decline in nickel prices, Beta Hunt shifted its focus from a nickel to gold producer. Beta Hunt ramped up its gold operation and declared commercial production June 20, 2017 with effect from July 1, 2017.

On March 22, 2018, the Corporation announced that the Beta Hunt operation, SLM's sole operation, was no longer a core asset and that it had initiated a strategic alternatives process which may include the sale of all or a portion of Beta Hunt Mine. SLM has been classified as held for sale and as a discontinued operation.

FIRST QUARTER AND RECENT HIGHLIGHTS

- On January 15, 2018, the Corporation announced it expects to undertake a series of initiatives during 2018 to position the Corporation to make a decision to begin construction of the Dumont Nickel-Cobalt Project in 2019.
- On March 22, 2018, the Corporation announced it is sharpening its focus to the advancement of the Dumont Nickel-Cobalt development project, the largest undeveloped nickel and cobalt reserve in the world, and initiating a strategic alternatives process for its 100%-owned Beta Hunt gold and nickel mine located in Western Australia. PCF Capital Group, based in Perth, Western Australia, and Haywood Securities Inc. have been retained as financial advisors for the Beta Hunt process. Strategic alternatives may include, but are not limited to, the sale of all or a portion of the Corporation's interest in Beta Hunt. There are no assurances that the process will result in a transaction or, if a transaction is undertaken, as to the commercial terms or timing of such a transaction.
- On April 9, 2018, the Corporation announced it was commencing testwork to produce nickel and cobalt sulphate directly from nickel sulphide concentrate, without smelting and refining. Based on the Corporation's discussion with leading auto industry and battery materials market participants, there is significant interest in a process which could be based in North America to supply North American and European auto companies with nickel and cobalt sulphate without having to go through the cost and complexity associated with traditional smelters/refineries and processing facilities in Asia.
- Adjusted EBITDA from continuing operations for the three months ended March 31, 2018 was income of $3.7 million or $0.01 per share compared to a loss of $0.2 million or $nil per share for the three months ended March 31, 2017. Reference is made to the Non-IFRS Measures section of this MD&A.
- The Corporation incurred a net loss from continuing operations of $1.8 million ($0.01 per share) for the three months ended March 31, 2018, compared to a net loss of $3.1 million ($0.01 per share) for the three months ended March 31, 2017. The Corporation incurred a net loss from discontinued operations of $10.7 million ($0.03 per share) for the three months ended March 31, 2018, compared to a net loss of $1.3 million ($0.01 per share) for the three months ended March 31, 2017.

Continuing operations

- Reed Mine first quarter 2018 copper contained in concentrate production was 1.9 million pounds (0.9 kt) (29% basis) compared to the fourth quarter of 2017 of 2.0 million pounds (0.9 kt) (30% basis). Cash costs decreased by 74% to US$0.51 per pound sold and all-in sustaining costs decreased to US$0.54 per pound sold compared to US$1.97 and US$1.98, respectively, in the fourth quarter of 2017 due to a combination of higher copper grades, higher gold, silver, and zinc by-product credits and the elected dilutionary effect of not funding its share of mining and general and administration costs. If unfunded mining costs and general and administration costs were included, the first quarter cash operating cost and all-in sustaining cost would have been US$1.99 and $2.02, respectively. The Corporation's share of gold in concentrate production for the first quarter of 2018 from the Reed Mine was 349 ounces. Reference is made to the Non-IFRS Measures section of this MD&A.

- The Corporation's share of operating income from the Reed mine was $2.2 million for the three months ended March 31, 2018.

Discontinued operations

- Mined gold production at Beta Hunt during the first quarter was 13,780 ounces, up 8% compared to 12,722 ounces in the fourth quarter of 2017 and gold tonnes mined was 169 kt in the first quarter, up 6% compared to 160 kt in the fourth quarter of 2017. Gold sales were 7,978 ounces in the first quarter, a decrease of 38% compared to 12,896 ounces in the fourth quarter of 2017. First quarter sales were adversely impacted by the timing of tolling schedules and above normal seasonal rains which limited mined material delivery to tolling mill service providers.

- For the first quarter of 2018, gold mining cash cost per ounce decreased by 8% to US$812 per ounce from US$882 per ounce in the fourth quarter of 2017. On a cost per ounce sold basis, gold cash costs, net of by-product credits increased by 4.5% to US$1,502 per ounce sold, and all-in sustaining costs, net of by-product credits increased by 3.5% to US$1,594 per ounce sold, compared to US$1,437 and US$1,539, respectively, in the fourth quarter of 2017 due to a combination of lower nickel by-product credit, delays in milling which resulted in only lower grade material (2.36g/t versus mined grade of 2.54 g/t) mined early in the quarter being processed, and a higher proportion of the material processed in the higher cost toll milling facility (of the two toll milling facilities used by SLM). The first toll subsequent to the end of the quarter has processed over 80kt at a grade of 2.7 g/t, approximately 15% higher grade than the first quarter. Costs in the coming quarter should also improve as mined nickel production is expected to double and grades are expected to average 2.7-2.8% (versus 1.89% in the first quarter). Reference is made to the non-IFRS Measures section of this MD&A.

OPERATIONAL REVIEW

Continuing operations

VMS Ventures - Reed Copper Operation

Reed Mine Production

For the three months ended March 31, 2018, VMS' 29% share of metal contained in concentrate production from the Reed Mine was 0.9 kt of copper and 349 oz of gold. Costs improved during the quarter due to a combination of higher copper grades, higher gold, silver and zinc by-product credits and the elected dilutionary effect of not funding its share of mining and general and administration costs.

Reed Mine Operating Review (100% basis)

	Q1 2018	Q1 2017
Ore (tonnes hoisted)	122,309	119,853
Ore (tonnes milled)	92,954	108,139
Copper (%)	3.54	2.96
Zinc (%)	0.93	0.67
Gold (g/t)	0.70	0.44
Silver (g/t)	9.43	5.64

Reed Mine Production and Costs (29% basis)

	Q1 2018	Q1 2017
Copper contained in concentrate (kilo tonnes)	0.86	0.85
Gold contained in concentrate (ounces)	349	283
Copper cash operating cost per pound sold [1,2]	$0.51	$2.06
Copper all-in sustaining cost per pound sold [1,2]	$0.54	$2.10

1. Cash operating cost per pound, and all-in sustaining cost per pound, are not recognized measures under IFRS. Such non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Management uses these measures internally. The use of these measures enables management to better assess performance trends. Management understands that a number of investors, and others who follow RNC's performance, assess performance in this way. Management believes that these measures better reflect RNC's performance and are better indications of its expected performance in future periods. This data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.
2. The Corporation has elected effective January 1, 2018 to allow its interest in the Reed Joint Venture to be diluted by not funding its share of mining costs and general and administration costs related to production. Consequently those costs are not included in the cost computation.

As noted in the Outlook section below, Reed Mine is scheduled cease mining operations in Q3 2018 with processing of stockpiled material scheduled to continue through December 2018.

Dumont Nickel-Cobalt Project

On April 20, 2017, the Corporation closed a series of transactions under which Waterton acquired 50% of the Corporation's interest in the Dumont Nickel-Cobalt Project for US$22.5 million (C$30.3 million) in cash. The Corporation and Waterton each contributed or committed US$17.5 million (C$23.6 million) into the Magneto JV. US$5 million (C$6.7 million) of this amount is allocated to Dumont-related carrying costs and other expenses incurred over the next four years (expected to include the cost of an updated feasibility study).

During Q1 2018, the Magneto JV continued its activities in support of the Dumont Nickel-Cobalt Project. The following were the major activities undertaken during the first quarter of 2018:

- Technical review of nickel sulphation roasting for Dumont began and preparation of a test plan for a Q2 2018 start.Initated a value-in-use study for Dumont roasted concentrate with CRU Consulting. The work is expected to be completed in Q2 2018.

- Work continued on the closure plan for Dumont, providing updates to the government comments received in March 2017.

Exploration Properties

The Corporation owns a 44% interest in Orford. Orford's main assets consist of exploration properties in Northern Quebec, comprising the Qiqavik and West Raglan projects and the Carolina Gold Belt in the United States, comprising the Jones-Keystone/Loflin and Landrum-Faulkner gold properties.

Qiqavik Property
On March 2, 2016 the Corporation announced that its TNN subsidiary (a predecessor to Orford) had discovered a new high grade gold, silver, copper and zinc mineralized trend at its newly consolidated Qiqavik Project in Northern Quebec. High grade gold mineralization was found during the 2015 exploration season with several grab samples ranging from 5 g/tonne up to 198 g/tonne over 15km of strike length, with several outcropping areas also containing high grade silver, copper and zinc, representing a potentially important new discovery in an underexplored volcano-sedimentary belt within the Cape Smith Belt.

On October 30, 2017, Orford announced results from the 2017 exploration programs at its Qiqavik property in northern Québec. At Qiqavik, the 2017 field program began on July 19. This program consisted of diamond drilling of 2,723 metres in 23 holes, 721 line-kilometres of airborne (drone) magnetic surveying and 105.6 line-kilometres of Abitibi Geophysics ground OreVisionTM IP surveying, prospecting, mapping, surface rock sampling, and till sampling. This work led to better understanding of the occurrences discovered in 2016) and to the identification of many additional mineralized occurrences on the property, including two occurrences with visible gold. Work completed during the 2017 program demonstrates that gold is associated with secondary splay structures located along the district-scale Qiqavik Break Shear Zone which extends the full 40 km length of the Qiqavik Property. Geological data indicate that gold mineralization at Qiqavik is structurally controlled and associated with porphyry intrusions in places. Typically, in structurally controlled gold deposits, the intensity of mineralization varies along the length of the structures with ore shoots focused in zones of dilation. Orford is currently analyzing airborne magnetic and field mapping data collected during the summer 2017 program to identify and locate sites of dilation along structures that were active at the time of gold mineralization in order to target significant gold mineralization accumulations. To assist in this targeting, a helicopter-borne magnetic survey covering the entire 248 km2 extent of the Qiqavik property was completed in April 2018.

Carolina Gold Belt
RNC, through TNN, acquired options to earn a 70% interest in both the the Jones-Keystone/Loflin, and Landrum-Faulkner gold properties in the Carolina Gold Belt, home to the Haile Mine. These options are now held by Orford, in which the Corporation owns a 44% equity interest. The current development of the +4 million ounce Haile gold mine in South Carolina by OceanaGold has re-focused attention on the Carolinas as a highly prospective, under-explored and development-friendly jurisdiction.

The Jones-Keystone and Landrum-Faulkner Properties occur at or near the same regional geological contact as the Haile and Ridgeway mines. At Jones-Keystone, mineralization is exposed at surface and historical drilling has yielded multiple drill hole intercepts in the 1 to 3 g/t range including an interval of 1.56 g/t Au over 54m core length including 3.01 g/t Au over 28m core length in historical hole JK10-006, and an interval of 1.27 g/t Au over 104m core length including 3.03 g/t Au over 14m core length in historical hole JK11-017

On March 1st 2018, Orford announced the results of the first phase of exploration on the Carolina Gold Properties. From December 2017 to February 2018, Orford completed a program of Abitibi Geophysics OreVisionTM ground Induced Polarization (IP) and ground magnetics geophysics combined with surface geological mapping and relogging of historical core on the Carolina Gold Properties. This program has yielded strong IP chargeability and resistivity anomalies that are coincident with and extend at depth and along strike well beyond known Haile-Style gold mineralization. Geological mapping and historical core relogging led by Ken Gillon, former Regional Exploration Geologist at Haile Gold Mines, (Romarco, OceanaGold) and the past-producing Ridgeway Gold Mine (Kennecott) has identified alteration vectors that suggest that the mineralised systems may be more extensive than previously thought.

At the Jones-Keystone property, strong chargeability anomalies not only coincide with historically drilled mineralization but also extend at depth and along strike beyond known mineralization. In the eastern portion of the property, orientation of the IP chargeability anomaly suggests that the mineralized zone may dip to the south, which is the opposite of the previous interpretation. Relogging of historical drill holes in this area also shows that drilling stopped in alteration whose intensity is increasing with depth which suggests that the mineralization system may have deep roots. In the untested southern portion of the property several coincident chargeability and resistivity anomalies occur. The two strongest of these extend over strike lengths of at least 300 m each.

At the Landrum-Faulkner property, mapping has outlined multiple parallel zones of sericitic and silicic alteration extending over the entire length of the grid. One of these zones is coincident with a strong 600m-long chargeability and resistivity anomaly and extends under a historical surface grab sample occurrence of 6 g/t Au.

Drilling on the Carolina properties began on April 23, 2018.

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

Outlook

The outlook and financial targets only relate to fiscal 2018. This outlook includes forward-looking information about the Corporation’s operations and financial expectations, and is based on management’s expectations and outlook as of the date of this MD&A. This outlook, including expected results and targets, is subject to various risks, uncertainties and assumptions, which may impact future performance and our achievement of the results and targets discussed in this section. For additional information on forward-looking information, refer to "Forward-Looking Information" in this MD&A. We may update our outlook depending on changes in metals prices and other factors.

Reed Mine 2018 Guidance

Hudbay has not provided production guidance for the Reed Mine.

With limited near-term exploration potential and an interest in maximizing cash flow from the remaining mine production, the Corporation has elected effective January 1, 2018 to allow its interest in the Reed Joint Venture to be diluted by not funding its share of the operating costs resulting in a estimated decline in its interest from 30% to 26%. Over the course of 2018, it results in a minor production loss of 9.4%, or 0.3 kt, if it had retained a 30% interest in the mine. RNC will continue to pay 30% of the closure costs currently estimated to be $0.9 million less recovery for equipment and facilities.

The following information is RNC management’s estimate of production and costs. In 2018, RNC expects its share of production from the Reed Mine to be 2.25-2.5 kt of copper and 0.8-1 koz of gold. Although production at Reed mine is expected to end in Q3 2018, processing of stockpiled ore is expected to continue through December 2018.

Dumont Nickel-Cobalt Project

The Magneto JV continues to explore all financing and partnership opportunities to allow Dumont to advance to construction when market conditions permit.

Orford Mining Corporation
Orford is currently analyzing airborne magnetic and field mapping data collected during the summer 2017 program to identify and locate sites of dilation along structures that were active at the time of gold mineralization in order to target significant gold mineralization accumulations. To assist in this targeting, a helicopter-borne magnetic survey covering the entire 248 km2 extent of the Qiqavik property was completed in April 2018.

Discontinued operations

Beta Hunt Mine

In the first quarter of 2018, the Beta Hunt Mine continued to be focused on ramping up its gold production and mined 169 kt of gold mineralization containing 13,780 oz of gold. As previously noted on March 22, 2018 the Corporation initiated a strategic alternatives process which may include the sale of all or a portion of the Beta Hunt Mine.

Production

Beta Hunt Gold and Nickel Operation

Beta Hunt Gold and Nickel Operation	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Gold tonnes mined (000s)	169	160	145.5	123	102
Gold mined grade (g/t)[1]	2.54	2.47	2.24	2.09	1.69
Gold tonnes milled (000s)	110	158	182.3	98.1	114.3
Gold mill grade (g/t)[1]	2.36	2.39	2.23	2.07	1.62
Gold milled (ounces)	8,372	12,128	13,047	6,535	3,597
Gold mined (ounces)[1,2]	13,780	12,722	10,489	8,281	5,535
Gold sales (ounces)	7,978	12,896	8,659	5,891	6,132
Nickel tonnes mined (000s)	7.8	8.6	8.3	10.1	6.8
Nickel tonnes milled (000s)	8.7	7.0	10.2	9.6	6.8
Nickel mill grade, nickel (%)	1.89	2.64	2.84	2.84	2.51
Nickel in concentrate tonnes (000s)	0.14	0.16	0.25	0.24	0.15

Beta Hunt Gold and Nickel Operation[5]	Q1 2018	Q1 2017
Gold mining cash cost per ounce (US$ per ounce mined)	$812	$1,347
Gold all-in sustaining cost, net of by-product credits (US$ per ounce sold) [3,4]	$1,594	$1,685
Gold C1 cash operating cost, net of by-product credits (US$ per ounce sold) [3,4]	$1,502	$1,647
Nickel C1 cash operating cost (US$ per lb. sold)[4]	$4.54	$2.97
Nickel C1 cash operating cost (US$ per tonne sold)[4]	$10,003	$6,541
Nickel all-in sustaining cost (AISC) (US$ per lb. sold)[4]	$4.55	$3.00
Nickel all-in sustaining cost (AISC) (US$ per tonne sold)[4]	$10,038	$6,618

1. The difference in gold sales ounces and gold mined ounces is due to timing differences in receipt of gold sales depending on completion date of tolling campaigns.

2. As of March 31, 2018, 104 kt of gold mineralization from first quarter 2018 production remained on the ROM pad for tolling in the subsequent quarter, compared to 45.4 kt of gold as of December 31, 2017.
3. Gold operations declared commercial production in the second quarter of 2017 with effect on July 1, 2017. Prior to July 1, 2017, gold operations were in the ramp up stage towards commercial production and operating and sustaining costs per ounce for those periods are not comparable to other companies.
4. All-in sustaining cost, net of by-product credits, cash operating cost, net of by-product credits, cash operating cost, cash operating cost per tonne, all-in sustaining cost, and all-in sustaining cost per tonne are not recognized measures under IFRS. Such non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Management uses these measures internally. The use of these measures enables management to better assess performance trends. Management understands that a number of investors, and others who follow RNC's performance, assess performance in this way. Management believes that these measures better reflect RNC's performance and are better indications of its expected performance in future periods. This data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.
5. Reference is made to the Non-IFRS Measures section of this MD&A.

2017 was a period of transition for the Beta Hunt Mine as it ramped up gold production in the first half of the year before declaring commercial production on 1 July 2017. Until declaration of commercial production, Beta Hunt gold cost of sales, net of gold revenue, are capitalized to property, plant and equipment.

Beta Hunt Mine 2018 Guidance

With the announcement of the strategic alternatives process for Beta Hunt which the Corporation anticipates would result in the sale of a majority interest and control of the asset during the third quarter of 2018, the Corporation is not providing full year guidance. The Corporation expects continued quarter-over-quarter improvement in tonnes, grade, and ounces produced in the second quarter. .

Cautionary Statement: The decision to produce at the Beta Hunt Mine was not based on a feasibility study of mineral reserves, demonstrating economic and technical viability, and, as a result, there may be an increased uncertainty of achieving any particular level of recovery of minerals or the cost of such recovery, including increased risks associated with developing a commercially mineable deposit. Historically, such projects have a much higher risk of economic and technical failure. There is no guarantee that that anticipated production costs will be achieved. Failure to achieve the anticipated production costs would have a material adverse impact on SLM's cash flow and future profitability. It is further cautioned that the PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. No mining feasibility study has been completed on Beta Hunt. Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that the PEA will be realized.

RESULTS OF OPERATIONS

Three months ended March 31, 2018, compared with three months ended March 31, 2017

For the first three months of 2018, revenues from continuing operations of $6.3 million were in line with the prior year amount of $6.1 million. For the first three months of 2018, the loss attributable to RNC shareholders from continuing operations of $1.8 million was lower than the loss of $3.1 million for the same period of 2017 by $1.3 million. The positive variance is primarily due to the VMS operation which reported earnings of $2.2 million for the first three months of 2018 compared with a loss of $1.2 million in the prior year, a $3.4 million variance. VMS reported lower mining costs in 2018 due to the Corporation's election to allow its interest in the Reed Joint Venture to be diluted by not funding its share of costs related to production. Consequently, those costs are no longer included in the Corporation's results. Partially offsetting the higher margins in VMS were higher share based payments during the first three months of 2018 by $0.9 million and a $1.2 million loss on the fair value adjustment of the Corporation's convertible debentures.

SUMMARY OF QUARTERLY RESULTS

Summary of Quarterly Results
(expressed in thousands of dollars except per share amounts)

	2018	2017				2016		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues								
Continuing operations	$6,277	$7,231	$9,074	$9,625	$6,143	$8,342	$7,724	$6,611
Discontinued operations	15,148	22,280	15,878	1,864	981	1,081	3,016	4,455
Total	$21,425	$29,511	$24,952	$11,489	$7,124	$9,423	$10,740	$11,066
Earnings (loss) attributable to RNC shareholders								
Continuing operations	($1,675)	($6,603)	($7,760)	$6,000	($3,112)	($4,579)	($1,838)	($2,675)
Discontinued operations	(10,727)	(72,014)	(4,193)	(1,001)	(1,310)	(11,970)	(2,951)	(3,152)
Total	($12,402)	($78,617)	($11,953)	$4,999	($4,422)	($16,549)	($4,789)	($5,827)
Basic and diluted earnings (loss) per share attributable to RNC shareholders								
Continuing operations	($0.00)	($0.02)	($0.03)	$0.02	($0.01)	($0.02)	($0.01)	($0.01)
Discontinued operations	($0.03)	($0.23)	($0.01)	($0.00)	($0.00)	($0.05)	($0.01)	($0.02)
Total	($0.05)	($0.26)	($0.04)	$0.02	($0.02)	($0.07)	($0.02)	($0.03)

Quarterly results will vary in accordance with the Corporation's exploration, development, acquisition and financing activities. Historically, exploration and evaluation expenses, share-based compensation expenses, changes in the fair value of derivatives, foreign exchange variations and mineral property interests write-offs had the most significant impact on the Corporation's quarterly results, followed by general and administrative expenses. It is likely that the Corporation's quarterly results will continue to fluctuate during SLM's ramp-up period and during the early stages of commercial production. Changes in the fair value of the derivatives are recorded in the consolidated statements of loss and can reasonably be expected to affect the Corporation's future quarterly results. Fluctuations in the Canadian dollar, which is the Corporation's functional currency, against the US dollar and Australian dollar will also continue to affect the Corporation's quarterly results as a result of its cash and cash equivalents and liabilities denominated in US dollars as well as its revenues being denominated in US dollars.

The loss attributable to the Corporation, inclusive of discontinued operations, for the first quarter of 2018 of

$12.4 million was significantly lower than the loss in the prior quarter of $78.6 million by $66.2 million. During the fourth quarter of 2017, an impairment charge totaling $58.7 million was recorded in respect of the SLM operation.

CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash[1] (in thousands of dollars)	Three months ended March 31, **2018**	2017
Cash used in operations prior to changes in working capital	**$(139)**	$(472)
Changes in working capital	**(3,910)**	10,301
Cash provided by (used in) operating activities	**$(4,049)**	$9,829
Cash used in investing activities	**(1,044)**	(11,122)
Cash provided by financing activities	**849**	3
Change in cash and cash equivalents	**$(4,244)**	$(1,290)

[1] Beta Hunt was not in commercial production in the first quarter of 2017 and is treated as discontinued operation in the first quarter of 2018. In the first quarter of 2018 $4,041 of capital-related costs were expensed as incurred rather than capitalized. In the first quarter of 2017 operating loss excludes gold pre-commercial cost of sales, net of gold revenue, of $9,652 which includes $4,488 of depreciation and amortization.

Operating Activities

For the three months ended March 31, 2018, cash used in operating activities, prior to changes in non-cash working capital, of $0.1 million was in line with the prior year level of $0.5 million. Working capital changes used cash of $3.9 million during the three months ended March 31, 2018 compared with cash provided of $10.3 million for 2017, a $14.2 million variance. The working capital movement for the three months ended March 31, 2018 is mostly related to higher levels of inventory which increased by $3.9 million during the first three months of 2018 compared with a decrease of $1.4 million in the same period of the prior year. The prior year also had higher cash from an increase in accounts payable and accrued liabilities of $5.8 million.

Investing Activities

For the three months ended March 31, 2018, total net cash used in investing activities was $1.0 million compared with cash used in investing activities of $11.1 million in 2017, a $10.1 million decrease. The variance is primarily due to the higher level of expenditures for property, plant and equipment at the SLM operation which was still in pre-commercial development during the first quarter of 2017. During the first quarter of 2018, no mine development costs were capitalized in respect of the SLM operation.

Financing Activities

For the three months ended March 31, 2018, cash provided by financing activities of $0.8 million was higher than the same period of 2017 by $0.8 million. The increase is mostly due to a private placement of common shares which had proceeds of $1.6 million partially offset by higher repayments of debt of $0.8 million.

As a result of the foregoing activities, for the three months ended March 31, 2018, the net cash used by operating, investing and financing activities was $4.2 million compared with cash used of $1.3 million in 2017.

Liquidity and Capital Resources

(in thousands of dollars)	**March 31, 2018**	December 31, 2017
Cash and cash equivalents[1]	**$19,948**	$24,400
Working capital deficit[2]	**(22,769)**	(29,045)
Property, plant and equipment	**3,713**	23,509
Mineral property interests	**49,837**	48,956
Total assets	**105,399**	108,987
Shareholders' equity	**8,412**	10,914

1. $17.2 million is dedicated to the Magneto JV as described below.
2. Working capital deficit is a measure of current assets (Including cash and cash equivalents) less current liabilities.

The Corporation's future financing efforts may be affected by several factors including, but not limited to, general economic conditions and volatility in the capital markets.

As at March 31, 2018, the Corporation had a working capital deficit of $22.8 million compared to a $29.0 million deficit as at December 31, 2017 for a decrease of $6.2 million. However, the composition of working capital has significantly changed. As described in note 3 to Corporations unaudited condensed consolidated interim financial statements, the SLM operation is deemed to be an asset held for sale. Consequently, all of its assets and liabilities are deemed to be current in nature which resulted in net increase in working capital of $11.9 million.

As at March 31, 2018 the Corporation had cash and cash equivalents of $19.9 million, of which $17.2 million is dedicated to the Magneto JV. Management estimates that these funds will not be sufficient to fund the advancement of exploration properties, Beta Hunt mine operation and general and administrative expenses for the ensuing twelve months. Until such time that financing becomes available on acceptable terms, the Corporation has taken action to limit the ongoing exploration and evaluation work and reduce its operating costs. Accordingly, these conditions indicate the existence of material uncertainties that cast significant doubt upon the Corporation's ability to continue as a going concern. The Corporation's ability to continue future operations and fund its exploration, evaluation, development and acquisition activities is dependent on management's ability to secure additional financing in the future, which may be completed in a number of ways including, but not limited to, the issuance of debt or equity instruments, expenditure reductions, or a combination of strategic partnerships, joint venture arrangements, project debt finance, offtake financing, royalty financing and other capital markets alternatives. While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available on terms which are acceptable to the Corporation.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this MD&A, the Corporation does not have any off balance sheet arrangements.

PROPOSED TRANSACTIONS

From time to time, in the normal course of business, the Corporation considers potential acquisitions, joint ventures, and other opportunities. The Corporation will make disclosure in respect of any such opportunity if and when required under applicable securities rules.

OUTSTANDING SHARE DATA

As at May 11, 2018, the Corporation had 361,573,570 common shares issued and outstanding.

As at May 11, 2018, the Corporation had the following securities outstanding, which are exercisable for common shares:

	Number of Securities	Weighted Average Exercise Price
Stock options	35,111,577	$0.33
Warrants	22,403,211	$0.43
Compensation warrants	1,451,805	$0.41

As at May 11, 2018, the Corporation had the following securities outstanding, which are redeemable, at the option of the holder, in cash or common shares:

	Number of Securities
Deferred share units	1,097,343
Restricted share units	4,802,194

Under the agreement dated March 8, 2007, pursuant to which Royal Nickel acquired a 100% interest in the Marbaw Mineral Claims, the Corporation is required to issue 7,000,000 common shares in RNC to Marbaw upon the property being placed into commercial production or upon transfer (including through a merger, consolidation or asset purchase) of the property to a third party.

On June 7, 2017 RNC closed a US$10 million four-year Senior Secured Convertible Term Debt Facility (the “Facility”) with Waterton. Assuming maximum conversion of 75% of US$10M principal into RNC common shares the Corporation would be required to issue 39,225,941 common shares in RNC to Waterton (USD/CAD exchange rate as at June 7, 2017).

On December 14, 2017, the Corporation closed a US$6 million fifteen-month Convertible Term Debt Facility with Pala. Assuming full share conversion of all principal and interest, the Corporation would be required to issue 15,141,900 common shares to Pala (based on USD/CAD exchange rate on December 14, 2017).

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to apply accounting policies and make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. There is full disclosure of the Corporation’s critical accounting policies and accounting estimates in note 2 of the audited consolidated financial statements for the year ended December 31, 2017.

There were no changes to the accounting policies applied by the Corporation to its 2018 quarterly unaudited condensed interim consolidated financial statements, compared to those applied by the Corporation to the consolidated financial statements for the year ended December 31, 2017 with exception to the new accounting policies highlighted in note 2 of the condensed consolidated interim financial statements for March 31, 2018.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Corporation are responsible for establishing and maintaining the Corporation's disclosure controls and procedures ("DCP") including adherence to the Disclosure Policy adopted by the Corporation. The Disclosure Policy requires all staff to keep senior management fully apprised of all material information affecting the Corporation so that they may evaluate and discuss this information and determine the appropriateness and timing for public release. The CEO and the CFO are also responsible for the design of internal controls over financial reporting ("ICFR").

The CEO and CFO evaluated whether there were changes to the ICFR during the three months ended March 31, 2018 that have materially affected, or are reasonably likely to affect, the ICFR. The CEO and CFO concluded there were no material changes to the ICFR during the three months ended March 31, 2018.

RISK FACTORS

The Corporation is subject to a number of risks and uncertainties. The risk factors are discussed in the Corporation's most recent Annual Information Form on file with Canadian provincial regulatory authorities, available at www.sedar.com.

NON-IFRS MEASURES

This MD&A refers to cash operating cost, cash operating cost per tonne, cash operating cost per ounce, gold mining cash cost per ounce, gold cash cost per ounce after by-product credits, all-in sustaining cost, adjusted loss, EBITDA, adjusted EBITDA and adjusted EBITDA per share which are not recognized measures under IFRS. Such non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Management uses these measures internally. The use of these measures enables management to better assess performance trends. Management understands that a number of investors, and others who follow the Corporation's performance, assess performance in this way. Management believes that these measures better reflect the Corporation's performance and are better indications of its expected performance in future periods. This data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

The following tables reconcile these non-IFRS measures to the most directly comparable IFRS measures:

Continuing operations

REED MINE

The Corporation's Reed Mine operation (29% interest) relates to the extraction of copper metal, for which cash operating costs are disclosed below:

	Three Months Ended March 31, 2018	Three Months Ended December 31, 2017	Three Months Ended September 30, 2017	Three Months Ended June 30, 2017	Three Months Ended March 31, 2017
Copper (in thousands of dollars except per tonne or per lb.)					
Tonnes of copper ore processed	35,695	30,669	35,261	36,334	35,861
Mining costs[1]	$-	$3,344	$2,937	$3,138	$2,874
Transport	717	851	781	1,100	368
Milling costs	1,413	1,877	1,756	2,518	2,197
General and administration related to production[1]	38	241	202	234	201
Operating costs, before by-product credits (CDN$)	$2,168	$6,313	$5,676	$6,990	$5,640
By-product credits	(927)	(820)	(710)	(660)	(738)
Operating costs, net of by-product credits (CDN$)	$1,241	$5,492	$4,965	$6,330	$4,902
Average exchange rate (CDN$1 – US$)	0.79	0.79	0.80	0.74	0.75
Cash operating cost (US$)	$974	$4,319	$3,965	$4,702	$3,706
Cash operating cost (per tonne processed) (US$)	$27	$141	$112	$129	$103
Tonnes of copper sold (payable)	863	994	1,163	1,354	816
Cash operating cost (US$)	$974	$4,319	$3,965	$4,702	$3,706
Cash operating cost (per tonne sold) (US$)	$1,129	$4,344	$3,409	$3,474	$4,542
Cash operating cost (per lb. sold) (US$)[1]	$0.51	$1.97	$1.55	$1.58	$2.06

1. The Corporation has elected effective January 1, 2018 to allow its interest in the Reed Joint Venture to be diluted by not funding its share of mining costs and general and administration costs related to production. Consequently those costs are not included in the cost computation. If the costs were included, the Cash operating cost (per lb. sold) (US$) would have been $1.99.

All-in Sustaining Cost

All-in sustaining cost represents cash operating cost plus corporate G&A plus sustainable capital expenditures

	Three Months Ended March 31, 2018	Three Months Ended December 31, 2017	Three Months Ended September 30, 2017	Three Months Ended June 30, 2017	Three Months Ended March 31, 2017
Copper (in thousands of dollars except per tonne or per lb.)					
Tonnes of copper sold (payable)	863	994	1,163	1,354	816
Cash operating cost (US$)[1]	$974	$4,319	$3,965	$4,702	$3,706
General and administration – corporate (US$)	53	8	14	24	28
Sustaining capital expenditures (US$)	-	7	39	229	38
All-in sustaining cost (US$)	$1,027	$4,334	$4,018	$4,955	$3,772
All-in sustaining cost (per tonne sold) (US$)	$1,190	$4,358	$3,456	$3,660	$4,622
All-in sustaining cost (per lb sold) (US$)[1]	$0.54	$1.98	$1.57	$1.66	$2.10

1. The Corporation has elected effective January 1, 2018 to allow its interest in the Reed Joint Venture to be diluted by not funding its share of mining costs and general and administration costs related to production. Consequently those costs are not included in the cost computation. If the costs were included, the All-in sustaining cost (per lb sold)(US$) would have been $2.02.

Discontinued operations

BETA HUNT MINE

Cash Operating Cost

The Corporation uses this measure internally to evaluate the underlying operating performance of the Corporation. Management believes that providing cash operating cost allows the ability to better evaluate the results of the underlying Beta Hunt and Reed Mine businesses of the Corporation.

	Three Months Ended March 31, 2018	Three Months Ended December 31, 2017	Three Months Ended September 30, 2017	Three Months Ended June 30, 2017	Three Months Ended March 31, 2017
Nickel (in thousands of dollars except per tonne or per lb.)					
Tonnes of nickel mineralization processed	8,667	7,037	10,168	9,621	6,837
Production and toll-processing costs (including general and administrative related to production) [1]	$1,004	$841	$1,181	$1,522	$666
Royalty expense	143	(261)	298	69	230
Operating costs (related to tonnes processed) (CDN$)	$1,147	$580	$1,479	$1,591	$896
Average exchange rate (CDN$1 – US$)	0.79	0.79	0.80	0.74	0.75
Cash operating cost (US$)	$907	$456	$1,181	$1,183	$674
Cash operating cost (per tonne processed) (US$)	$105	$65	$116	$123	$99
Tonnes of nickel sold (payable)	91	109	157	162	103
Cash operating cost (US$)	$907	$456	$1,181	$1,183	$674
Cash operating cost (per tonne sold) (US$)	$10,003	$4,190	$7,499	$7,293	$6,541
Cash operating cost (per lb. sold) (US$)	$4.54	$1.90	$3.40	$3.31	$2.97

1. Production and toll-processing costs for the three months ended March 31, 2018 excludes capital development charges expensed of $867.

	Three Months Ended March 31, 2018	Three Months Ended December 31, 2017	Three Months Ended September 30, 2017	Three Months Ended June 30, 2017	Three Months Ended March 31, 2017
Gold (in thousands of dollars except per tonne or per ounce)					
Tonnes of gold mineralization processed	110,204	157,739	182,322	98,140	114,330
Production and toll-processing costs (including general and administrative related to production)	$14,310[1]	$21,896	$14,629	$13,019[2]	$12,213[3]
Royalty expense	1,398	2,310	1,427	622	1,323
Operating costs (related to tonnes processed) (CDN$)	$15,708	$24,206	$16,056	$13,641	$13,536
Average exchange rate (CDN$1 – US$)	0.79	0.79	0.80	0.74	0.75
Cash operating cost (US$)	$12,419	$19,040	12,818	$10,144	$10,178
Cash operating cost (per tonne processed) (US$)	$113	$121	$70	$103	$89
Ounces of gold sold (payable)	7,978	12,896	8,659	5,891	6,132
Cash operating cost (US$)	$12,419	$19,040	$12,818	$10,144	$10,178
Cash operating cost (per ounce sold) (US$)	$1,557	$1,476	$1,480	$1,722	$1,660

1. Production and toll-processing costs for the three months ended March 31, 2018 excludes capital development expensed of $3,214.
2. Production and toll-processing costs for the three months ended June 30, 2017 excludes typical inventory adjustments of $2,989 as of June 30, 2017.
3. Production and toll-processing costs for the three months ended March 31, 2017 excludes typical inventory adjustments of $1,598 as of March 31, 2017.

Gold mining cash cost per ounce

Gold mining cash cost per ounce represents production costs, excluding toll-processing and royalties, on a per recoverable ounce mined. Management believes that providing gold mining cash cost per ounce allows the ability to measure the efficiency of mining, as it is not impacted by the timing of tolling campaigns or delivery of refined ounces.

	Three Months Ended March 31, 2018	Three Months Ended December 31, 2017	Three Months Ended September 30, 2017	Three Months Ended June 30, 2017	Three Months Ended March 31, 2017
Gold (in thousands of dollars except per tonne or per ounce)					
Recoverable gold mined (ounces) [1]	12,402	11,450	9.480	7,544	5,042
Production costs (CDN$)	12,749[2]	$12,782[3]	$11,433[4]	$10,467[5]	$9,032[6]
Average exchange rate (CDN$1 – US$)	0.79	0.79	0.80	0.74	0.75
Cash cost mined (US$)	$10,072	$10,097	$9,128	$7,783	$6,792
Gold mining cash cost per ounce (US$ per ounce mined)	$812	$882	$963	$1,032	$1,347

1. Recoverable gold mined is computed at an average recovery rate of 90% of gold mined ounces.
2. Operating costs less tolling ($5,531), royalty costs ($1,398), capital development ($3,214) plus stock adjustment ($3,970).
3. Operating costs less tolling ($7,127), royalty costs ($2,310) and stock adjustment ($1,987).
4. Operating costs less tolling ($6,533) and royalty costs ($1,427) plus stock adjustment ($3,337).
5. Operating costs less tolling ($4,941), royalty costs ($622) and stock adjustment ($600) plus typical inventory adjustments ($2,989).
6. Operating costs less tolling ($3,502), royalty costs ($1,323) and stock adjustment ($1,277) plus typical inventory adjustments ($1,598).

Gold cash cost per ounce after by-product credits

The Corporation computes gold cash costs per ounce after by-product credits by combining cash costs of both gold and nickel production to determine cash cost before by-product credits, then deducting nickel revenue from those costs.

	Three Months Ended March 31, 2018	Three Months Ended December 31, 2017	Three Months Ended September 30, 2017	Three Months Ended June 30, 2017	Three Months Ended March 31, 2017
Gold cash cost per ounce after by-product credits (in thousands of dollars except per tonne or per ounce.)					
Tonnes of gold mineralization processed	110,204	157,739	182,322	98,140	114,330
Cash cost, before by-product credits					
Production and toll-processing costs (including general and administrative related to production)	$15,314[1]	$22,737	$15,810	$14,541[2]	$12,879[3]
Royalty expense	1,541	2,049	1,725	691	1,553
Cash cost, before by-product credits (related to tonnes processed) (CDN$)	$16,855	$24,786	$17,535	$15,232	$14,432
Total by-product credits, net of pre-production credits	$1,696	$1,230	$1,941	$1,864	$1,002
Cash cost, after by-product credits (related to tonnes processed) (CDN$)	$15,159	$23,556	$15,594	$13,368	$13,430
Average exchange rate (CDN$1 – US$)	0.79	0.79	0.80	0.74	0.75
Cash cost, after by-product credits (US$)	$11,985	$18,529	$12,457	$9,940	$10,099
Cash cost, after by-product credits (per tonne processed)	$109	$117	$68	$101	$88
Ounces of gold sold (payable)	7,978	12,896	8,659	5,891	6,132
Cash cost, after by-product credits (US$)	$11,985	$18,529	$12,457	$9,940	$10,099
Cash operating cost, after by-product credits (per ounce sold) (US$)	$1,502	$1,437	$1,439	$1,687	$1,647

1. Production and toll-processing costs for the three months ended March 31, 2018 excludes capital development expensed of $4,081.
2. Production and toll-processing costs for the three months ended June 30, 2017 excludes typical inventory adjustments of $2,989 as of June 30, 2017.
3. Production and toll-processing costs for the three months ended March 31, 2017 excludes typical inventory adjustments of $1,598 as of March 31, 2017.

All-in Sustaining Cost

All-in sustaining cost represents cash operating cost plus corporate general and administrative costs (“G&A”) plus sustainable capital expenditures. For the three months ended March 31, 2018, $2.2 million and $0.7 million of gold and nickel additions to property, plant and equipment, respectively, were excluded in the determination of sustainable capital expenditures because they related to areas of the mines which were not currently in production. For the year ended December 31, 2017, $15.5 million and $3.4 million of gold and nickel additions to property, plant and equipment, respectively, were excluded in the determination of sustainable capital expenditures because they related to areas of the mines which were not currently in production.

	Three Months Ended March 31, 2018	Three Months Ended December 31, 2017	Three Months Ended September 30, 2017	Three Months Ended June 30, 2017	Three Months Ended March 31, 2017
Nickel (in thousands of dollars except per tonne or per lb.)					
Tonnes of nickel sold (payable)	91	109	157	162	103
Cash operating cost (US$)	$907	$456	$1,181	$1,183	$674
General and administration – corporate (US$)	3	10	15	301	8
Sustaining capital expensitures (US$)	-	-	-	-	-
All-in sustaining cost (US$)	$910	$466	$1,196	$1,484	$682
All in sustaining cost (per tonne sold) (US$)	$10,038	$4,282	$7,596	$9,150	$6,618
All-in sustaining cost (per lb sold) (US$)	$4.55	$1.94	$3.45	$4.15	$3.00
Gold (in thousands of dollars except per tonne or per ounce)					
Ounces of gold sold	7,978	12,896	8,659	5,891	6,132
Cash operating cost (US$)	$12,419	$19,040	$12,818	$10,144	$10,178
General and administration – corporate (US$)	22	65	111	-	59
Sustaining capital expenditures (US$)	549	1,252	1,001	277	165
All-in sustaining cost (US$)	$12,990	$20,357	$13,930	$10,421	$10,402
All-in sustaining cost (per ounce sold) (US$)	1,628	$1,579	$1,609	$1,769	$1,697

All-in Sustaining Cost after by-product credits

All-in sustaining cost represents cash operating cost net of by-product credits plus G&A plus sustainable capital expenditures. For the three months ended March 31, 2018, $2.2 million and $0.7 million of gold and nickel additions to property, plant and equipment, respectively, were excluded in the determination of sustainable capital expenditures because they related to areas of the mines which were not currently in production. For the period ended December 31,2017, $15.5 million gold additions to property, plant and equipment were excluded in the determination of sustainable capital expenditures because they related to areas of the mines which were not currently in production.

	Three Months Ended March 31, 2018	Three Months Ended December 31, 2017	Three Months Ended September 30, 2017	Three Months Ended June 30, 2017	Three Months Ended March 31, 2017
Gold (in thousands of dollars except per tonne or per ounce)					
Ounces of gold sold	7,879	12,896	8,659	5,891	6,132
Cash operating cost net of by-product credits	$11,985	$18,529	$12,457	$9,940	$10,099
General and administration – corporate (US$)	25	69	126	301	67
Sustaining capital expenditures (US$)	549	1,252	1,001	277	165
All-in sustaining cost net of by-product credits (US$)	$12,559	$19,850	$13,584	$10,518	$10,331
All-in sustaining cost net of by-product credits (per ounce sold) (US$)	$1,594	$1,539	$1,569	$1,786	$1,685

Adjusted Loss for the Period

Management believes that Adjusted Loss for the Period is an important indicator of operating results across the Corporation and uses the measure to assess financial performance.

Adjusted Loss for the Period is the sum of loss for the period reported in RNC's audited consolidated financial statements and the gold profit or loss capitalized to Property, Plant and Equipment as well as other items such as acquisition costs and the impacts of foreign exchange translation. This measure reflects the loss for the period as if Beta Hunt had been in commercial gold production since acquisition.

	Three Months Ended March 31,	
(in thousands of dollars)	**2018**	2017
Loss for the period from continuing operations– as reported	**$(1,822)**	$(3,112)
Accretion – long term debt	**775**	143
Foreign exchange loss	**(221)**	-
Adjusted Loss for the Period	**$(1,268)**	$(2,969)
Weighted average number of shares	**352,933,176**	276,215,123
Adjusted Loss per share	**$(0.00)**	$(0.01)

Adjusted EBITDA and Adjusted EBITDA per share

Management believes that EBITDA and Adjusted EBITDA are valuable indicators of the Corporation's ability to generate operating cash flows to fund working capital needs, service debt obligations, and fund exploration and evaluation, and capital expenditures.

EBITDA excludes the impact of certain items and therefore is not necessarily indicative of operating profit or cash flows from operating activities as determined under IFRS.

Other companies may calculate EBITDA differently. Adjusted EBITDA is a non-IFRS measure, which excludes the following from loss and comprehensive loss: deferred income tax expense (recovery); other expense (income), net (see note 17 of the first quarter 2018 unaudited condensed consolidated interim financial statements); depreciation and amortization; one time costs (acquisition costs); and share-based payments and includes depreciation and amortization on gold property plant and equipment and pre-commercial gold cost of sales net of gold revenue.

	Three Months Ended March 31,	
(in thousands of dollars)	**2018**	2017
Loss for the period from continuing operations	**$(1,822)**	$(3,112)
Deferred income tax expense (recovery)	**(109)**	64
Other expenses, net (note 17 of the 2018 condensed consolidated interim financial statements)	**1,494**	77
Non-cash share-based payments	**1,306**	394
Depreciation and amortization	**2,814**	2,425
Adjusted EBITDA	**$3,683**	$(152)
Weighted average number of common shares	**352,933,176**	276,215,123
Adjusted EBITDA per share	**$0.01**	$(0.00)

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains “forward-looking information” which may include, but is not limited to, statements relating to the liquidity and capital resources of RNC, production and cost guidance, the potential of the Beta Hunt and Reed mines, and the potential of Dumont, West Raglan and Qiqavik projects, successfully obtaining project financing, successfully obtaining permitting, the future financial or operating performance of the Corporation and its projects, the future price of and supply and demand for metals, the estimation of mineral reserves and resources, the realization of mineral reserves and resources estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new and existing deposits, costs and timing of future exploration as well as the potential of exploration properties, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses, the success of mining operations, economic return estimates and potential upside. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “does not anticipate” or “believes” or variations (including negative variations) of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Readers should not place undue reliance on forward-looking statements.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could affect the outcome include, among others: project delays; general business, economic, competitive, political and social uncertainties; future prices of metals; availability of alternative metal sources or substitutions; actual metal recovery; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; the future cost of capital to the Corporation; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; political instability, terrorism, insurrection or war; delays in obtaining governmental approvals, necessary permitting or in the completion of development or construction activities, as well as those factors discussed in the section entitled “*Risk Factors*” in the Corporation’s most recent Annual Information Form. Such forward-looking statements are also based on a number of material factors and assumptions, including: the availability of financing at rates and on terms and conditions otherwise acceptable to the Corporation; future metal prices; permitting and development consistent with RNC’s expectations; foreign exchange rates; prices and availability of equipment; that contracted parties provide goods and/or services on the agreed timeframes; that the current tax credit receivable from the Quebec government is collected in a timely manner; that on-going contractual negotiations will be successful and progress and/or be completed in a timely manner; and that no unusual geological or technical problems occur.

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

Cautionary Note to U.S. Readers Regarding Estimates of Resources

This MD&A uses the terms "measured" and "indicated" mineral resources and "inferred" mineral resources. The Corporation advises U.S. investors that while these terms are recognized and required by Canadian securities administrators, they are not recognized by the SEC. The estimation of "measured" and "indicated" mineral resources involves greater uncertainty as to their existence and economic feasibility than the estimation of proven and probable reserves. The estimation of "inferred" resources involves far greater uncertainty as to their existence and economic viability than the estimation of other categories of resources. It cannot be assumed that all or any part of a "measured", "inferred" or "indicated" mineral resource will ever be upgraded to a higher category.

Under Canadian rules, estimates of "inferred mineral resources" may not form the basis of feasibility studies, pre-feasibility studies or other economic studies, except in prescribed cases, such as in a preliminary economic assessment under certain circumstances. The SEC normally only permits issuers to report mineralization that does not constitute "reserves" as in-place tonnage and grade without reference to unit measures. Under U.S. standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. U.S. investors are cautioned not to assume that any part or all of a "measured", "indicated" or "inferred" mineral resource exists or is economically or legally mineable. Information concerning descriptions of mineralization and resources contained herein may not be comparable to information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC.