ROYAL NICKEL CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE MONTHS ENDED MARCH 31, 2016

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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**", "**Royal Nickel**" or the "**Corporation**") constitutes management's review of the factors that affected the Corporation's financial and operating performance for the quarter ended March 31, 2016. This MD&A, dated May 16, 2016, is intended to supplement and complement the Corporation's unaudited condensed consolidated interim financial statements – prepared in accordance with International Financial Reporting Standards ("**IFRS**") – and related notes for the three months ended March 31, 2016 and should be read in conjunction with both the audited consolidated financial statements and MD&A for the year ended December 31, 2015, 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.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A provides certain financial measures that do not have a standardized meaning prescribed by IFRS. Readers are cautioned to review the stated information and footnotes regarding use of non-IFRS measures.

This news release contains "forward-looking information" including without limitation statements relating to the the liquidity and capital resources of RNC, closing the acquisition of the additional 34% of SLM that RNC does not already own, production and cost guidance, the potential of the Beta Hunt and Reed mines, and the potential of the Dumont, West Raglan and Qiqavik projects.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of RNC 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: failure of the parties to sign definitive agreements and satisfy conditions of closing; future prices and the supply of metals; the results of drilling; inability to raise the money necessary to incur the expenditures required to retain and advance the properties; environmental liabilities (known and unknown); general business, economic, competitive, political and social uncertainties; accidents, labour disputes and other risks of the mining industry; political instability, terrorism, insurrection or war; or delays in obtaining governmental approvals, projected cash costs, failure to obtain regulatory or shareholder approvals. For a more detailed discussion of such risks and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements, refer to RNC's filings with Canadian securities regulators available on SEDAR at www.sedar.com.

Although RNC 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 RNC 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.

The use of the term "bankable" in this MD&A should not be construed as an indication that RNC has arranged or will be able to arrange project financing.

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.

DESCRIPTION OF BUSINESS

Royal Nickel 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 transitioning from the exploration and evaluation stage into a nickel, copper and precious metals producer. The Corporation's assets include the Dumont Nickel Project, strategically located in the established Abitibi mining camp, 25 kilometres northwest of Amos, Quebec, Canada and a controlling interest in Salt Lake Mining Pty Ltd ("**Salt Lake Mining**" or "**SLM**"), which has 100% ownership of the Beta Hunt Mine, located in the prolific Kambalda area in Western Australia. In addition to these assets the Corporation holds certain other properties, as set out below under "*Mineral Exploration Properties*", and as of April 27, 2016 a 100% interest in VMS Ventures Inc. ("**VMS**") as set out below under "*Subsequent Events"*. The Corporation's common shares and warrants are traded on the Toronto Stock Exchange ("**TSX**") (TSX symbols RNX and RNX.WT).

Salt Lake Mining

On February 1, 2016, Royal Nickel Corporation (RNC) announced it had agreed to acquire a majority interest in Salt Lake Mining Pty Ltd. (SLM). SLM is a private company whose main asset is a 100% interest in the Beta Hunt Mine, a low-cost nickel and gold producer located in the prolific Kambalda mining district of Australia. On March 16, 2016, RNC announced it had acquired a 66% interest in SLM and on April 4, 2016 RNC announced it signed a shareholders agreement with SLM shareholders who hold the remaining shares of SLM, giving RNC the right to acquire their SLM shares during the six month period commencing April 1, 2016 and ending September 30, 2016, at an exchange ratio calculated based on the date of exercise. RNC is seeking shareholder approval in respect of the related RNC share issuance at an Annual and Special Meeting of RNC Shareholders expected to be held on May 18, 2016. Assuming the Call Option is exercised during the month of May, 2016, the applicable share exchange ratio will be 1.8775 RNC shares for each remaining SLM share, or a total of 24,324,066 RNC shares issuable in exchange for the remaining shares of SLM.

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 to July, 2014 and recommenced at the end of 2015.

FIRST QUARTER AND RECENT HIGHLIGHTS

- On February 1, 2016, the Corporation announced two acquisitions that will transform the Corporation into a cash generating low-cost nickel, copper and gold producer.

- On February 1, 2016, the Corporation acquired a 20% interest in SLM, a private company whose main asset is the Beta Hunt nickel-gold mine in Western Australia, for cash consideration of $2,500. The Corporation also agreed to acquire a further 47% interest in SLM in exchange for 32,500,000 shares of the Corporation.

- The Corporation also announced on February 1, 2016 it had entered into a definitive agreement dated January 30, 2016 to acquire a 100% interest in VMS by way of a plan of arrangement. Under the terms of the agreement, the Corporation agreed to issue VMS shareholders 36,000,000 common shares of the Corporation and pay cash consideration of $3,507, funded by a $3,507 loan to be provided by VMS from its cash balance.

- On April 4, 2016, the Corporation announced that it had signed a shareholders agreement with shareholders who hold the remaining shares of SLM, giving RNC the right (Call Option) to acquire their SLM shares during the six month period commencing April 1, 2016 and ending September 30, 2016, at an exchange ratio calculated based on the date of exercise.

- On April 27, 2016, the Corporation announced the completion of its acquisition of VMS by way of a plan of arrangement pursuant to which the Corporation acquired all of the issued and outstanding common shares of VMS.

- On May 9, 2016, the Corporation entered into an agreement with two underwriters, under which the underwriters agreed to purchase, on a bought deal basis, 17,060,000 common shares of the Corporation at a price of $0.51 per common share for gross proceeds of $8,701 (the "Offering"). The Corporation granted the underwriters an option, exercisable at the same price for a period of thirty days following closing of the Offering, to purchase up to an additional 15% of the Offering to cover over-allotments, if any. The Offering is expected to close on or about May 26, 2016 and is subject to the Corporation receiving all necessary regulatory approvals.

- The Corporation incurred a net loss of $1.6 million ($0.01 per share) for the period ended March 31, 2016 compared to a net loss of $0.3 million ($0.00 per share) for the same period in 2015.

OPERATIONAL REVIEW

Salt Lake Mining – Beta Hunt Mine

In the first quarter of 2016, 29,387 tonnes of nickel mineralization were mined and 66,243 tonnes of gold mineralization were mined (on a 100% basis).

- Mechanized, longhole open stoping has commenced in the Western Flanks zone. This is a key milestone in the ramping up of gold production to more than 4,500 ounces of gold per month and reaching the targeted 2016 production guidance of 35 – 45 koz

- Continue driving along strike of the Hand of Faith lode. Development now extends over a strike of 41m. Results to date show that the mineralization varies from face to face from sub-grade material (< 1g/t Au) to very high grades. This grade variation is typical of this style of high-nugget mineralization.

Recent face sampling in the south drive re-affirms the potential of this lode to contain very high grades - 193.2 g/t (6.2 oz/t) Au over 3.20 m, uncut. Mineralization remains open in both directions.

- An underground infill diamond drilling program for the Western Flanks and A Zone resources commenced in March 2016. To date, 883 m of drilling in 6 drill holes have been completed. Visible gold was observed in some of the drill core within the targeted zones and all drill holes have intersected well mineralized zones where predicted. The core is currently being logged, cut and sampled with results pending.

Q1 Production

In the quarter ended March 31, 2016 the Beta Hunt Mine was 66% owned during the fifteen day period commencing March 16, 2016. The following is a summary of the 2016 Q1 Production from Beta Hunt Mine (reported on a 100% basis):

Beta Hunt Gold and Nickel Operation	**Q1 2016**
Nickel tonnes mined (000s)	29.4
Nickel tonnes milled (000s)	29.7
Nickel mill grade, nickel (%)	3.04
Nickel in concentrate tonnes (000s)	0.8
Gold tonnes mined (000s)	66.2
Gold mined grade (g/t)[1]	3.10
Gold tonnes milled (000s)	43.1
Gold mill grade (g/t)[1]	2.64
Gold mined (ounces)[1,2]	5,636
Gold sales (ounces)	3,416
Nickel C1 cash operating cost (US$ per lb)[3]	$2.63
Nickel C1 cash operating cost (US$ per tonne)[3]	$5,808
Nickel all-in sustaining cost (AISC) (US$ per lb)[3]	$2.83
Nickel all-in sustaining cost (AISC) (US$ per tonne)[3]	$6,229

1. The March 2016 mineralization mine grade and ounces will be finalized with the final results from the Q2 2016 toll. The numbers provided above include preliminary estimates of the ROM grade.
2. 23,000 tonnes of gold mineralization from March 2016 production remained on the ROM pad for tolling in Q2 2016.
3. Cash operating cost, cash operating cost per tonne, and all-in sustaining cost, 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 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.

Q1 is a period of transition for the Beta Hunt Mine as it continued to ramp up gold production.

Dumont Nickel Project

During Q1 2016, the Corporation continued its activities in support of the evaluation of the Dumont Nickel Project. The work program focused on the bulk test program including both a mineral processing pilot plant and concentrate roasting, assisting with the EPC proposal preparation, supporting and following up on the ESIA filing. The following were the major activities and accomplishments during the three months ended March 31, 2016:

- ***Roasting Tests:*** Testing progressed on the roasting of Dumont Concentrate in the 12" roaster at XPS Consulting & Testwork Services. Roasting was completed for the first lot of concentrate for subsequent potential customer testwork on the nickel calcine.

- ***EPC Proposal:*** In August 2015 it was announced that an MOU had been signed with Ausenco/DF to prepare a lump sum turn key (EPC) proposal. Work has been ongoing to support the proposal including review of the preliminary results, and assistance with development of the general terms and conditions.

- ***Stakeholder Relations:*** Negotiations continued with the Abitibiwinni First Nation ("**AFN**") to establish an Impact and Benefits Agreement within the framework of the memorandum of understanding ("**MOU**") signed on April 4, 2013. The MOU will serve as a framework to govern the relationship between RNC and the AFN in accordance with our mutual intentions to further build on a relationship characterized by cooperation and mutual respect, in connection with the development of the Dumont Nickel Project. The MOU sets out the areas in which RNC and the AFN have agreed to work together and maintain effective avenues of communication to support mutual goals such as environmental responsibility and the enhancement of training, employment and business opportunities for Abitibiwinni community members.

Dumont Nickel Project 2016 Program and Estimated Expenditures

The current estimate for expenditures on the Dumont Nickel Project ($3.5 million) and corporate expenditures ($4.4 million) for 2016 is dependent upon additional financing as outlined in the "*Liquidity and Capital Resources*" section.

Exploration Properties

West Raglan Property

On June 18, 2014, the Corporation announced that it had acquired an approximate 56% interest TNN, a private company whose main asset is a 100% interest in the West Raglan nickel sulphide project located in Quebec. On July 29, 2014, a NI 43-101 compliant technical report for the West Raglan Project was filed under RNC's profile on SEDAR. The Corporation currently owns approximately 68% of TNN.

West Raglan is a mature nickel sulphide exploration project located in the centre of the Cape Smith Belt in northern Quebec, Canada. The Cape Smith Belt is home to prolific, high-grade nickel sulphide deposits, including two producing mines; Glencore's Raglan Mine and Jilin Jien Nickel's Nunavik Mine. Seven zones of Ni-Cu-PGM sulphide mineralization have been found to date on the 400-square-kilometre West Raglan property. One of these zones, the Frontier Zone, includes five key high-grade lens clusters. TNN's exploration model is based on the potential to build a resource out of the mineralized lenses at Frontier, exploring for additional lenses at Frontier, and for new lens clusters across the other zones of the property. The neighbouring Raglan Mine hosts similar clusters of mineralized lenses in 12 distinct zones, four of which are currently in production and feeding a central mill facility.

As at the date of this MD&A, West Raglan is considered to have longer term potential. Planning of an exploration program for the summer of 2016 is ongoing.

Qiqavik Property

On March 2, 2016 the Company announced that it had discovered a new high grade gold, silver, copper and zinc mineralized trend at its newly consolidated Qiqavik Project held by TNN 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.

As at the date of this MD&A, Qiqavik is considered to have longer term potential. Planning of an exploration program for the summer of 2016 is ongoing.

Jefmar Property

No significant work was completed by the Corporation on the Jefmar property during the three months ended March 31, 2016.

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

RNC's current strategic focus is to develop the large ultramafic Dumont Nickel Project and to acquire highly prospective assets, preferably cash-producing, in base and precious metals.

In line with this long held strategy, on February 1, 2016 RNC announced two acquisitions that will transform the Corporation into cash generating low-cost nickel, copper and gold producer. These acquisitions - a 66% interest in Salt Lake Mining Pty Ltd. ("SLM") and a 100% interest in VMS Ventures Inc. ("VMS"), have provided ownership in two operating mines (SLM's 100%-owned Beta Hunt Mine in Western Australia and VMS' 30%-owned Reed Mine in Manitoba). In 2016, production from these two operations (100% basis for Beta Hunt and 30% basis for Reed) is expected to be approximately 3.5 – 4.5 kt of nickel, 4.0 – 4.5 kt of copper, and 35 - 45 koz of gold as production at Beta Hunt ramps up during 2016.

Beta Hunt Mine (100% Basis) 2016 Guidance[1,2,3,4]

Beta Hunt Mine (US$)	Units	2nd half-2015	2016 Guidance
Nickel in Concentrate	kt Mlbs	2.1 4.6	3.5 – 4.5 8 - 10
Gold Production	000 ounces	2.2	35 - 45
C1 Cash Costs (gold by-product basis)	$/lb $/tonne	$3.50 $7,700	$(1.00) - $0 $(2,200) - $0
Nickel Co-product AISC Cash Costs	$/lb $/tonne	$4.90 $10,800	$3.75 - $4.25 $8,270 – $9,370
Gold Co-product AISC Cash Costs	$/ounce	$n/a	$800 - $900
Sustaining Capex (includes gold mine development)	$M	$1	$6 - 8

1. Cash operating costs and cash operating cost per tonne sold are non-IFRS measures. In the nickel mining industry, cash operating costs and cash operating costs per tonne are common performance measures but do not have any standardized meaning. Cash operating costs are derived from amounts included in the Consolidated Statements of Comprehensive Income (Loss) and include mine site operating costs such as mining, processing and administration as well as royalty expenses, but exclude depreciation, depletion and share-based payment expenses and reclamation costs. Cash operating costs per tonne are based on tonnes sold and are calculated by dividing cash operating costs by commercial nickel tonnes sold; US$ cash operating costs per tonne sold. SLM prepares this information as it believes the measures provide valuable assistance to investors and analysts in its operational performance and ability to generate cash flow. The most directly comparable measure prepared in accordance with IFRS is total production costs.
2. All-in sustaining costs and all-in sustaining cost per tonne sold are non-IFRS measures. These measures are intended to assist readers in evaluating the total costs of producing nickel from current operations. SLM defines all-in sustaining costs as the sum of production costs, sustaining capital (capital required to maintain current operations at existing levels), corporate general and administrative expenses, in-mine exploration expenses and reclamation cost accretion related to current operations. All-in sustaining costs exclude growth capital, growth exploration expenses, reclamation cost accretion not related to current operations, interest and other financing costs and taxes. The most directly comparable measure prepared in accordance with IFRS is total production costs.
3. Key 2016 assumptions: nickel price $4.08/lb, gold price $1,080/oz and 1.43 $US = 1$AUD
4. The technical information in this table has been prepared in accordance with Canadian regulatory requirements by, or under the supervision of David Penswick, P.Eng.

Cautionary Statement: The decision by SLM 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.

Reed Mine 2016 Guidance

The operator has not provided production guidance for the Reed Mine. The following information is RNC's management estimate of production and costs and remains unchanged from our earlier guidance. In 2016, RNC expects its 30% share of production from the Reed Mine to be 4-4.5 kt of copper and 0.5-0.75 koz of gold.

With the completion of the Corporation's positive feasibility study for the Dumont Nickel Project in 2013, and the receipt of the main environmental permit in 2015, the focus has shifted to accelerating financing discussions with potential strategic or financial partners. Royal Nickel continues to work with its financial advisor, Rothschild, and its senior project bond advisor, Swedbank, to arrange financing to fund all stages of the development of the Dumont Nickel Project. Royal Nickel continues active discussions for financing through a combination of strategic partnerships, joint venture arrangements, project debt finance, offtake financing, royalty financing and other capital markets alternatives. However, current economic conditions are impacting the timing of the financing process and, while RNC remains optimistic that partnership and financing arrangements will be achieved in a timely manner, there is no assurance that any of the proposals or discussions held to date will lead to a binding proposal or to the signing of definitive agreements. Ongoing efforts and resources are being concentrated on arranging financing, advancing concentrate testwork and working with DF-Ausenco to support their work on preparing an engineering, procurement and construction lump sum turnkey proposal. Royal Nickel has the following targeted key milestones to achieve the development of the Dumont Nickel Project:

- Completion of partnership and financing arrangements;
- Estimated construction schedule of 24 months post securing of financing and completion of detailed engineering;
- Project commissioning is expected to begin in ten to eleven quarters after financing is in place.

RNC will continue to work with the local community to maintain excellent communications and relationships throughout all phases of the project development.

The Corporation is also actively analyzing geophysical data generated by the successful 2015 exploration program at its 68%-owned West Raglan nickel sulphide project to assist in preparation for the next steps to advance the project.

In addition to the work to integrate the SLM and VMS acquisitions and advance the Dumont and West Raglan projects, the Corporation will continue to investigate acquisition opportunities of highly prospective assets, preferably cash-producing, to grow the business in base and platinum group metals. The Corporation will focus on jurisdictions where it believes the risk is manageable. Royal Nickel believes it can successfully implement its corporate strategy because of its unique strengths, depth of management experience and well-developed relationships in the minerals industry.

RESULTS OF OPERATIONS

Three months ended March 31, 2016, compared with three months ended March 31, 2015
The Corporation's net loss totalled $1.6 million for the three months ended March 31, 2016, (with basic and diluted loss per share of $0.01). This compares with a net loss of $0.3 million (with basic and diluted loss per share of $0.00) for the three months ended March 31, 2015. The net loss increase of $1.3 million is due primarily to higher general and administrative expenses ($1.2 million)

The increase in general and administrative expenses ($1.2 million) is due primarily to acquisition costs ($0.6 million) on the Corporation's acquisition of SLM and business development expenses ($0.4).

SUMMARY OF QUARTERLY RESULTS

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

	2016	2015				2014		
	Q1	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2
Loss attributable to RNC shareholders	**$(1,696)[1]**	$(2,531)[2]	$(1,326)	$(1,214)	$(251)[3]	$(3,008)[4]	$(1,591)	$(3,006)[5]
Basic and diluted loss per share attributable to RNC shareholders	**$(0.01)**	$(0.02)	$(0.01)	$(0.01)	$(0.00)	$(0.04)	$(0.01)	$(0.03)

1. The higher than normal loss for the quarter of $1.7 million was due primarily to higher general and administrative expenses ($1.2 million).
2. The higher than normal loss for the quarter of $2.5 million was due primarily to higher general and administrative expenses ($2.2 million).
3. The lower than normal loss for the quarter of $0.3 million was due primarily to lower general and administrative expenses ($1.1 million) and a higher deferred income tax recovery ($1.1 million).
4. The higher than normal loss for the quarter of $3.0 million was due primarily to higher mineral property interests write-down ($1.3 million).
5. The higher than normal loss for the quarter of $3.0 million was due primarily to a higher non-cash share-based payments expense of $1.3 million. The higher non-cash share-based payments expense is due primarily to a vesting expense of $0.8 million and a mark-to-market expense for deferred share units, restricted share units and share appreciation rights of $0.3 million.

CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash (in thousands of dollars)	Three months ended March 31, **2016**	2015
Cash used in operations prior to changes in working capital	**$(1,927)**	$(857)
Changes in non-cash working capital	**1**	(578)
Cash used in operating activities	**(1,926)**	(1,435)
Cash provided by (used in) investing activities	**(532)**	1,077
Cash provided by (used in) financing activities	**(6)**	(5)
Change in cash and cash equivalents	**$(2,464)**	$(363)

Operating Activities
For the three months ended March 31, 2016, cash used in operating activities, prior to changes in non-cash working capital, was $1.9 million compared to $0.9 million in the same period last year. The increase in cash used is due primarily to higher general and administrative cash expenditures as outlined above under the *"Results of Operations"* section. For the three months ended March 31, 2016, non-cash working capital was unchanged compared to an increase of $0.6 million in the same period last year. The decrease in non-cash working capital ($0.6 million) is due primarily to a decrease in accounts receivable, prepaids and deposits ($2.5 million) and an increase in accounts payable and accrued liabilities ($1.2 million) offset by an increase in inventories ($3.3 million) during the three months ended March 31, 2016. For the three months ended March 31, 2016, cash used in operating activities was $2.1 million compared to cash used in operating activities of $1.4 million for the three months ended March 31, 2015.

Investing Activities
For the three months ended March 31, 2016, cash used in investing activities was $0.5 million, which reflects acquisition of initial 20% interest in SLM ($2.5 million), expenditures on mineral property interests ($1.6 million) and acquisition of property, plant and equipment ($0.5 million) partially offset by cash acquired on acquisition of SLM ($4.2 million). For the three months ended March 31, 2015, the cash provided by investing activities was $1.1 million, which reflects tax credits received ($1.0 million) and reduction in collateral investment ($1.0 million) partially offset by expenditures on mineral property interests ($0.9 million).

Financing Activities
For the three month periods ended March 31, 2016 and March 31, 2015, the only financing activity was minor principal payments on finance leases.

For the three months ended March 31, 2016, the net cash used in operating, investing and financing activities was $2.5 million, compared to net cash used of $0.4 million in the same period last year.

Liquidity and Capital Resources

(in thousands of dollars)	**March 31, 2016**	December 31, 2015
Cash and cash equivalents	**$7,170**	$9,634
Working capital[1]	**$(5,749)**	$7,796
Property, plant and equipment[2]	**$39,467**	$1,151
Mineral property interests	**$70,612**	$69,290
Total assets	**$124,893**	$82,559
Shareholders' equity	**$77,847**	$68,278

1. Working capital is a measure of current assets less current liabilities.
2. Primarily resulting from acquisition and preliminary purchase price allocation of SLM.

As at March 31, 2016, the Corporation was transitioning from the exploration and evaluation stage into a nickel, copper and precious metals producer and as a result the Corporation until recently had no source of operating income and was dependent on external financing to fund its continued exploration and evaluation program. Historically, the Corporation's principal sources of funding have been the issuance of equity securities for cash, the sale of NSR royalties, funds from the government of Quebec with respect to mining tax credits received based on eligible exploration expenditures, interest income and funds obtained from the exercise of stock options and warrants.

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, 2016, the Corporation had a working capital deficit of $5.7 million compared to $7.8 million working capital as at December 31, 2015. The decrease in working capital as at March 31, 2016, reflects primarily the negative working capital acquired as part of the SLM transaction, the initial SLM acquisition payment, expenditures on general and administrative activities and continued investment in the Dumont Nickel Project.

As at March 31, 2016 the Corporation had cash and cash equivalents of $7.2 million. Management estimates that these funds will not be sufficient to fund the advance the Dumont Nickel Project, meet obligations, cover the ramp up of Beta Hunt gold mining to commercial production levels, Beta Hunt mine development 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.

Subsequent to March 31, 2016, the Corporation entered into an agreement with two underwriters under which the underwriters agreed to purchase common shares of the Corporation for gross proceeds of $8,701. Refer to Note 19 of the financial statements.

The Corporation's financial instruments credit risk is minimal as, in accordance with the Corporation's investment policy, excess cash is principally invested in high interest savings accounts at major Canadian and Australian banks.

CONTRACTUAL COMMITMENTS

		Payments due by period			
(in thousands of dollars)	Total	Less than 1 year	1–3 years	4–5 years	After 5 years
Finance leases	$21	$21	$-	$-	$-
Operating leases	890	870	20	-	-
Total contractual obligations	**$911**	**$891**	**$20**	**$-**	**$-**

Existing royalty obligations at Beta Hunt are (i) Consolidated Minerals, 3% (at a nickel price under A$17,500/t) or 5% (at a nickel price of A$17,500 or greater) until total royalty payments reach A$16 million; (ii) Western Australian state government, 2.5% in respect of gold and nickel; (iii) St Ives Gold Mining Company Pty Limited, 1% in respect of nickel and 6% in respect of gold; and (iv) Resource Income Fund LP, 0.5% in respect of nickel and 1.5% in respect of gold.

OFF-BALANCE SHEET ARRANGEMENTS

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

PROPOSED TRANSACTIONS

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

EVENTS SUBSEQUENT TO MARCH 31, 2016

On February 1, 2016, the Corporation announced it had entered into a definitive agreement dated January 30, 2016 to acquire a 100% interest in VMS Ventures Inc. ("VMS") by way of a plan of arrangement in consideration. This transaction closed on April 27,2016. VMS has become a wholly owned subsidiary of RNC, and all of the issues and outstanding common shares of VMS were transferred to RNC in consideration for the issuance by RNC of an aggregate of 36,000,000 RNC common shares and $CDN3,507,000 to the former shareholders of VMS.

Further information regarding the VMS acquisition can be found in RNC's news release dated February 1, 2016, available at www.royalnickel.com and filed under RNC's profile on www.sedar.com.

VMS - Reed Mine Overview

VMS's 30% owned Reed Mine is located near Flin Flon, Manitoba. VMS announced the discovery of the Reed property in 2007 and after follow-up drilling signed a joint venture agreement with Hudbay Minerals Inc. in 2010 whereby 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.

Reed Mine

RNC's acquisition of 100% of VMS Ventures, whose main asset is a 30% interest in the Reed Mine, closed on April 27, 2016. As such the financial and operating results of the Reed Mine in the first quarter have not been included in RNC's reporting of consolidated first quarter results.

Reed Mine Q1 2016 Production

For the 3 months ended March 31, 2016, VMS's 30% share of metal contained in concentrate production from the Reed Mine was 1.1 kt of copper and 0.3 koz of gold.

Reed Mine Q1 2016 Operating Review (100% basis)

	Q1 2016	**Q1 2015**
Ore (tonnes hoisted)	111,461	118,645
Ore (tonnes milled)	94,997	122,609
Copper (%)	4.38	2.81
Zinc (%)	0.82	0.68
Gold (g/t)	0.54	0.60
Silver (g/t)	7.21	6.68

During the first quarter of 2016 there was an inventory build of approximately 16 kt, on a 100% basis, of hoisted ore from the Reed Mine at an average grade of 4.2% copper, which impacted revenue available from ore sales to reduce the contribution loan balance owed to Hudbay. RNC expects the revenue associated with the ore inventory build-up will be realized in 2016, following unscheduled maintenance in Q1 2016 at Hudbay's Flin Flon concentrator. At March 31, 2016 the contribution loan balance owed to Hudbay was $16.3 million, representing a drawdown of $0.7 million from the $17.0 million owed to Hudbay as at December 31, 2015. During Q1 2016, $0.5 million was added to the contribution loan balance to reflect actual 2015 milling charges related to 2015 production.

Further information regarding the VMS acquisition and the Reed Mine can be found in RNC's news release dated February 1, 2016 and April 27, 2016 available at www.royalnickel.com and filed under RNC's profile on www.sedar.com.

OUTSTANDING SHARE DATA

As at May 16, 2016, the Corporation had 200,905,629 common shares issued and outstanding.

As at May 16, 2016, the Corporation had the following securities outstanding, which are exercisable for common shares:

	Number of Securities	Weighted Average Exercise Price
Stock options	16,762,852	$0.51
Warrants	5,723,136	$0.73
Compensation warrants [1]	575,460	$0.60

1. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable at a price of $0.80 and entitles the holder thereof to acquire one common share of the Corporation on or before July 11, 2016.

As at May 16, 2016, 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	2,310,772

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.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

On March 15, 2016, the Corporation completed the acquisition of its interest in SLM. The results of SLM's operation have been included in these financial statements since the date of the acquisition. However, the Corporation has not completed the review of the internal controls used by SLM. The Corporation is in the process of expanding its disclosure controls and procedures, and internal controls over its financial reporting compliance program to include SLM over the next year. As a result, the Corporation's Chief Executive Officer and Chief Financial Officer have limited the scope of design of disclosure controls and procedures and testing of internal controls over financial reporting to exclude SLM's controls, policies and procedures from the March 31, 2016 certification of internal controls. Financial information concerning SLM is disclosed in the *Description of Business* and *Operational Review* sections of this MD&A and in Note 3 of the condensed consolidated interim financial statements for the three months ended March 31, 2016.

Except as described in the previous paragraph, there have been no changes in the Corporation's internal controls over financial reporting during the quarter ended March 31, 2016, that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies applied by the Corporation in the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2016, are consistent with those applied by the Corporation in the audited consolidated financial statements for the year ended December 31, 2015, except for policies adopted to account for SLM activities. Refer to Note 2 of the unaudited condensed interim consolidated financial statements.

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, and all-in sustaining cost, 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.

In 2016 the Corporation is transitioning from the exploration and evaluation stage into a nickel, copper and gold producer. During the three months ended March 31, 2016, the Corporation acquired the Beta Hunt Mine and commenced reporting its nickel production. The Beta Hunt Mine is also transitioning from a nickel producer to a gold and nickel producer. As a result, the 2016 results will not be directly comparable to the prior or future years.

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

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 business of the Corporation.

The Corporation's primary operation relates to the extraction of nickel and gold metal. As the Corporation has not yet achieved gold commercial production, costs on a by-product or co-product basis are not disclosed and cash operating costs disclosed below are for its nickel production only.

	Three Months Ended March 31, 2016	Period from March 16 to March 31, 2016
Nickel (in thousands of dollars except per tonne or per lb.)		
Tonnes of nickel mineralization processed	29,747	6,990
Production and toll-processing costs	$3,180	$1,010
Royalty expense	541	187
General and administration related to production	430	144
Operating costs (related to tonnes processed) (CDN$)	$4,151	$1,341
Average exchange rate (CDN$1 – US$)	0.73	0.76
Cash operating cost (US$)	$3,020	$1,025
Cash operating cost (per tonne processed) (US$)	$102	$147
Tonnes of nickel sold (payable)	520	212
Cash operating cost (US$)	$3,020	$1,025
Cash operating cost (per tonne sold) (US$)	$5,808	$4,846
Cash operating cost (per lb. sold) (US$)	$2.63	$2.20

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, 2016	Period from March 16 to March 31, 2016
Nickel (in thousands of dollars except per tonne or per lb.)		
Tonnes of nickel sold (payable)	520	212
Cash operating cost (US$)	$3,020	$1,025
General and administration – corporate (US$)	100	40
Sustaining capital expenditures (US$)	119	-
All-in sustaining cost (US$)	$3,239	$1,065
All-in sustaining cost (per tonne sold) (US$)	$6,229	$5,023
All-in sustaining cost (per lb sold) (US$)	$2.83	$2.28