



ROYAL NICKEL CORPORATION

**MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE AND SIX MONTHS ENDED JUNE 30, 2016**



Royal Nickel Corporation

TABLE OF CONTENTS

Introduction	3
Cautionary Statement Regarding Forward-Looking Information	3
Description Of Business	4
Second Quarter And Recent Highlights	5
Operational Review	6
Outlook	10
Results Of Operations	11
Summary Of Quarterly Results	12
Cash Flows, Liquidity And Capital Resources	13
Contractual Commitments	16
Off-Balance Sheet Arrangements	17
Proposed Transactions	17
Events Subsequent To June 30, 2016	17
Outstanding Share Data	17
Disclosure Controls And Internal Controls Over Financial Reporting	18
International Financial Reporting Standards	18
Risk Factors	18
Non-IFRS Measures	18



Royal Nickel Corporation

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 three and six months ended June 30, 2016. This MD&A, dated August 15, 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 and six months ended June 30, 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 MD&A contains "forward-looking information" including without limitation 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 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



Royal Nickel Corporation

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

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. During 2016, the Corporation transitioned into a gold, nickel and copper producer. The Corporation's principal assets are a 100% interest in Salt Lake Mining Pty Ltd ("**Salt Lake Mining**" or "**SLM**"), which has 100% ownership of the Beta Hunt Mine, the Dumont Nickel Project, strategically located in the established Abitibi mining camp, 25 kilometres northwest of Amos, Quebec, and a 100% interest in VMS Ventures Inc. ("**VMS Ventures**" or "**VMS**"), which has a 30% interest in the Reed Mine, located in Manitoba. In addition to these assets the Corporation holds 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).

Salt Lake Mining

As a result of a series of transactions completed in March 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 low-cost 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 to July, 2014 and recommenced at the end of 2015, but the mine is still in the ramp up phase and has not yet commenced commercial gold production.

VMS Ventures Inc.

On April 27, 2016, the Corporation acquired 100% of VMS Ventures for cash consideration of \$3.5 million (funded by a loan from VMS) and 36,000,000 common shares of the Corporation. VMS is a private company whose main asset is a 30% interest in the Reed Mine, a low-cost copper producer located near Flin Flon, Manitoba. VMS also holds mineral properties including a 30% interest in ones 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.



Royal Nickel Corporation

SECOND QUARTER AND RECENT HIGHLIGHTS

- Beta Hunt pre-commercial gold production was 7,599 ounces for Q2 2016, an increase of 35% from prior quarter, and ahead of previously announced guidance of 6,400 - 6,600 ounces for the quarter (100% basis). RNC's share of gold in concentrate from the Reed Mine was 402 ounces.
- Copper contained in concentrate production from Reed Mine of 3.3 MM lbs. (1.5 kt) (30% basis) was a quarterly record. Cash costs were US\$1.21 per pound sold and all-in sustaining costs were US\$1.35 per pound sold. The contribution loan balance owing to Hudbay as at June 30, 2016 was \$13.6 million (\$16.4 million as at March 31, 2016). The bridge loan balance owing to Hudbay as at June 30, 2016 was \$3.4 million (\$3.3 million as at March 31, 2016). Total loan balances as at June 30, 2016 was \$17.0 million (\$19.7 million as at March 31, 2016). Due to the approximate 100 day delay in the finalization of ore concentrate sales, these quarter-end loan balances do not reflect VMS' share of the excess of the proceeds from concentrate sales during the quarter over production, administrative and operator costs. This excess as at June 30, 2016 was \$7.0 million (\$5.3 million as at March 31, 2016). Net of this receivable, the total contribution loan and bridge loan balance as at June 30, 2016 would be \$10.0 million (\$14.4 million as at March 31, 2016). Net of VMS' share of the net value of Reed Mine ore hoisted but not processed (assuming \$2.15 per pound copper price, and net of assumed milling and other related charges) (the value of VMS' share of this inventory was approximately \$1.0 million as at June 30, 2016), the total contribution loan and bridge loan balance as at June 30, 2016 would be \$9.0 million.
- Nickel in concentrate production from Beta Hunt was 0.42 kt, a decline of 47% as the Corporation focused on gold production as nickel prices during the first half of 2016 reached a 16 year low. Cash costs were US\$3.67 per pound sold and all-in sustaining costs were US\$3.88 per pound sold.
- Combined operating income from Beta Hunt and Reed Mine was \$0.3 million for the quarter.
- EBITDA during the quarter was \$(2.3) million or \$(0.01) per share. Adjusted EBITDA was \$1.2 million, which excludes one-time acquisition costs of \$1.9 million and share-based payments of \$1.5 million.
- Adjusted net loss during the quarter was \$2.4 million or \$0.01 per share excluding one-time costs acquisition and net other expenses (income) of \$5.2 million.
- On May 31, 2016, the Corporation announced it had acquired the SLM shares it did not already own and increased its interest in the company to 100% (as a result of the exercise by the Corporation of the option granted to it as part of the transactions announced on February 1, 2016).
- On April 27, 2016, the Corporation announced the completion of its acquisition of all of the issued and outstanding common shares of VMS.
- On May 26, 2016, the Corporation closed a bought deal equity financing under which it issued 17,060,000 common shares at a price of \$0.51 per common share for gross proceeds of \$8.7 million.. On May 26, 2016, the Corporation closed the partial exercise by the underwriters of an over-allotment option granted as part of this offering for gross proceeds of \$0.5 million.
- On July 21, 2016, the Corporation closed a private placement of 3,274,000 flow-through shares issued at a price of \$0.51 per share, for gross proceeds of \$1.7 million. The proceeds from the private placement will fund "Canadian exploration expenses" ("CEE") (within the meaning of the Income Tax Act (Canada)) related to RNC's Qiqavik Property in Québec ("**Qiqavik**" or the "**Project**"). Qiqavik, located in Northern Québec, is an exploration stage property held by RNC through its 68% owned subsidiary, True North Nickel ("**TNN**"). The remaining funding required for the \$3.0 million exploration program will be satisfied by RNC's 32% equity partner at TNN, and by CEE-eligible flow-through funds



Royal Nickel Corporation

already held by RNC and its subsidiaries. For more information on the Project, refer to RNC's news release dated March 2, 2016.

- The Corporation incurred a net loss of \$7.5 million (\$0.04 per share) for the three months ended June 30, 2016 compared to a net loss of \$1.2 million (\$0.01 per share) for the same period in 2015.

OPERATIONAL REVIEW

Salt Lake Mining – Beta Hunt Mine

In the second quarter of 2016, 19.1kt of nickel mineralization were mined and 95kt of gold mineralization were mined (on a 100% basis).

- Mechanized, longhole open stoping has continued in the Western Flanks zone and commenced in the A Zone. These are key milestones 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.
- An underground infill diamond drilling program for the Western Flanks and A Zone resources commenced in March 2016. To date, 4,779.4 m of drilling in 26 drill holes have been completed. On May 30, 2016 RNC announced results from the first 6 holes of the program which confirmed the block model prediction in the zones drilled. Core from the remaining holes is currently being logged, cut and sampled with results pending. An exploration drill hole discovered a significant new gold zone at the Beta Hunt Mine which was announced by RNC on July 6, 2016. The new gold zone, which is parallel and to the west of to the existing Western Flanks and A zones, has been named the Fletcher shear zone ("Fletcher"). Fletcher was intersected by drill hole WF14-98 specifically designed to test this previously unknown mineralized shear zone and was co-funded by the Government of Western Australia as part of its Exploration Incentive Scheme. This hole also returned wider and higher grade intersections than the current block model when it intersected the Western Flanks zone.

In the Fletcher structure, two distinct lodes containing over 24m of gold mineralization in excess of 2g/t were intersected:

Lode A returned results of 8.9 m of 2.67 g/t from 716.6 metres including:

- 3.1 m @ 3.1 g/t from 716.6 m, including 1.0 m @ 6.5 g/t from 718.0 m
- 4.4m @ 3.1 g/t from 722.4 m

Lode B returned results of 15.8 m of 2.32 g/t from 736.5 metres including:

- 6.8m @ 3.8 g/t from 739.1m, including 1.1 m of 7.4 g/t from 744.8 m



Q2 Production

Beta Hunt Gold and Nickel Operation

In the quarter ended June 30, 2016 the Beta Hunt Mine was not 100% owned until May 31, 2016. The following is a summary of the 2016 Q2 Production from Beta Hunt Mine:

Beta Hunt Gold and Nickel Operation	Q2 2016	Q1 2016
Gold tonnes mined (000s)	95.4	66.2
Gold mined grade (g/t) ¹	2.54	2.41 ¹
Gold tonnes milled (000s)	80.4	43.1
Gold mill grade (g/t) ¹	2.23	2.65
Gold mined (ounces) ^{1,2}	7,599	5,636
Gold sales (ounces)	5,402	3,416
Gold C1 cash operating cost (US\$ per ounce sold) ^{3,4}	826	N/A ³
Gold all-in sustaining cost (US\$ per ounce sold) ^{3,4}	1,269	N/A ³
Nickel tonnes mined (000s)	19.1	29.4
Nickel tonnes milled (000s)	19.2	29.7
Nickel mill grade, nickel (%)	2.34	3.04
Nickel in concentrate tonnes (000s)	0.42	0.8
Nickel C1 cash operating cost (US\$ per lb. sold) ⁴	\$3.67	\$2.63
Nickel C1 cash operating cost (US\$ per tonne sold) ⁴	\$8,084	\$5,808
Nickel all-in sustaining cost (AISC) (US\$ per lb. sold) ⁴	\$3.88	\$2.83
Nickel all-in sustaining cost (AISC) (US\$ per tonne sold) ⁴	\$8,555	\$6,229

^{1.} The March 2016 mineralization mine grade and ounces were finalized with the final results from the Q2 2016 toll, which resulted in lower gold mine grade (2.41) than previously reported (3.10). The June 2016 mineralization mine grade and ounces will be finalized with the final results from the Q3 2016 toll. The Q2 numbers provided above include preliminary estimates of the ROM grade.

^{2.} As of June 30, 2016, 39,000 tonnes of gold mineralization from June 2016 production remained on the ROM pad for tolling in the subsequent quarter, compared to 23,000 tonnes of gold mineralization from March 2016 production as of March 31, 2016.

^{3.} Gold operations in Q1 2016 were at the early stage of the ramp up towards commercial production and operating and sustaining costs per ounce are not comparable to Q2 or to other companies.

^{4.} Cash operating cost, cash operating cost per tonne, and all-in sustaining cost, 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.

The first half of 2016 was a period of transition for the Beta Hunt Mine as it ramps up gold production and prepares for commencement of commercial production expected in late 2016. Until commercial production is declared, Beta Hunt gold cost of sales, net of gold revenue, are capitalized to property, plant and equipment.



VMS Ventures - Reed Copper Operation

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 second quarter have been included in RNC's reporting of consolidated second quarter results for the period April 27, 2016 to June 30, 2016 only.

Reed Mine Q2 2016 Production

For the three months ended June 30, 2016, VMS's 30% share of metal contained in concentrate production from the Reed Mine was 1.5 kt of copper and 402 oz of gold.

Reed Mine Q2 2016 Operating Review (100% basis)

	Q2 2016	Q2 2015	Q1 2016	Q1 2015
Ore (tonnes hoisted)	114,452	112,505	111,461	118,645
Ore (tonnes milled)	111,002	109,429	94,997	122,609
Copper (%)	4.87	3.12	4.38	2.81
Zinc (%)	0.45	0.93	0.82	0.68
Gold (g/t)	0.60	0.59	0.54	0.60
Silver (g/t)	7.47	6.21	7.21	6.68

Dumont Nickel Project

During Q2 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 June 30, 2016:

- **Roasting Tests:** Samples of the Dumont calcine were sent to potential customers and testing was ongoing through Q2.
- **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.
- **Dumont Project Engineering:** Two proposals were awarded to advance the engineering on the Dumont Project. RNC has begun preliminary trade-off studies in anticipation of completing an updated feasibility study for the project when market conditions are appropriate.
- **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



Royal Nickel Corporation

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 (\$1.6 million) and corporate expenditures (\$2.5 million) for the second half of 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. Minor mapping and target definition exploration work will be completed concurrently with the Qiqavik Program in July and August 2016.

Qiqavik Property

On March 2, 2016 the Corporation 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.

During the three months ended June 30, 2016 target generation and exploration program planning based on the results from the 2015 program was completed. TNN has outlined a \$3.0 million exploration program at Qiqavik focused on gold prospecting, mapping, induced polarisation geophysical surveying and drilling to follow up on high grade gold discoveries made during the prior exploration season (multiple grab samples returned grades between 5 g/t and 198 g/t) and initiate a 1,000 metre drill program. The field program was initiated in July to evaluate the potential of the Qiqavik Property.

As at the date of this MD&A, Qiqavik is considered to have longer term potential.

VMS Properties

VMS exploration properties consist of the Reed Exploration JV with Hudbay on the claims surrounding the Reed Mine, and of several wholly owned, optioned or joint ventured mineral claim properties in Manitoba and Ontario. No significant work was completed by the Corporation on the VMS properties during the three months



Royal Nickel Corporation

ended June 30, 2016. Given the recent acquisition of VMS, management will evaluate the potential of the exploration properties during the remainder of 2016.

As at the date of this MD&A, the VMS exploration properties are considered to have longer term potential.

The disclosure in this MD&A of all Technical Information has been approved by Alger St-Jean, P.Geol., 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 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 gold, nickel and copper. These acquisitions - a 100% interest in Salt Lake Mining and a 100% interest in VMS Ventures, 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.

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

Hudbay 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.

Dumont Nickel Project

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



Royal Nickel Corporation

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, Qiqavik 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. RNC 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 June 30, 2016, compared with three months ended June 30, 2015

The Corporation's loss for the period totalled \$7.5 million for the three months ended June 30, 2016, (with basic and diluted loss per share of \$0.04). This compares with a net loss of \$1.2 million (with basic and diluted loss per share of \$0.01) for the three months ended June 30, 2015. The net loss increase of \$6.3 million is due primarily to higher corporate general and administrative expenses (\$3.4 million), higher other expenses (\$3.3 million) and Beta Hunt mine operating loss (\$1.3 million), partially offset by Reed mine operating income (\$1.6 million (see operating income (loss) information in Note 24 of Corporation's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2016).

The increase in corporate general and administrative expenses (\$3.4 million) is due primarily to acquisition costs (\$2.0 million) on the Corporation's acquisitions of SLM and VMS, higher share-based payments (\$1.2 million) and higher consulting fees (\$0.3).

The increase in other expenses (\$3.3 million) is due primarily to the change in fair value (\$1.9 million) and accretion (\$0.5 million) of SLM's senior secured facility, SLM finance costs (\$0.4 million), and accretion of VMS's contribution loan from Hudbay (\$0.3 million).

Six months ended June 30, 2016, compared with six months ended June 30, 2015

The Corporation's loss for the period totalled \$9.2 million for the six months ended June 30, 2016, (with basic and diluted loss per share of \$0.06). This compares with a net loss of \$1.5 million (with basic and diluted loss per share of \$0.01) for the six months ended June 30, 2015. The net loss increase of \$7.7 million is due primarily to higher corporate general and administrative expenses (\$4.3 million), higher other expenses (\$2.5 million), higher deferred income tax expense (\$0.9 million) and Beta Hunt mine operating loss (\$1.3 million), partially offset by Reed mine operating income (\$1.6 million (see operating income (loss) information in Note 24 of Corporation's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2016).



Royal Nickel Corporation

The increase in corporate general and administrative expenses (\$4.3 million) is due primarily to acquisition costs (\$2.6 million) on the Corporation's acquisitions of SLM and VMS, higher share-based payments (\$1.2 million) and higher professional fees (\$0.4).

The increase in other expenses (\$2.5 million) is due primarily to the change in fair value (\$1.9 million) and accretion (\$0.5 million) of SLM's senior secured facility, SLM finance costs (\$0.6 million), partially offset by foreign exchange gain (\$0.3 million).

SUMMARY OF QUARTERLY RESULTS

Summary of Quarterly Results

(expressed in thousands of dollars except per share amounts)

	2016				2015		2014	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Loss attributable to RNC shareholders	\$(7,820)	\$(1,696)	\$(2,531)	\$(1,326)	\$(1,214)	\$(251)	\$(3,008)	\$(1,591)
Basic and diluted loss per share attributable to RNC shareholders	\$(0.04)	\$(0.01)	\$(0.02)	\$(0.01)	\$(0.01)	\$(0.00)	\$(0.04)	\$(0.01)

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 and, to a lesser extent, mineral property interests write-downs had the most significant impact on the Corporation's quarterly results, followed by general and administrative expenses. Starting February 1, 2016, the Corporation acquired interests in SLM and VMS. It is likely that the Corporation's quarterly results will continue to fluctuate during the period while SLM ramps up gold production, until it reaches commercial production, which is planned in late 2016. The SLM senior secured facility for SLM is repayable in gold and nickel metal to be delivered, which have embedded derivatives that are revalued at each balance sheet date. Changes in the fair value of the derivatives are recorded in the consolidated statements of loss and comprehensive loss and can reasonably be expected to affect the Corporation's future quarterly results (see Notes 11 and 22 of the Condensed Consolidated Interim Financial Statements). 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 revenues, and the embedded derivatives in the SLM senior secured facility, being denominated in U.S. dollars, and its Beta Hunt mine being located in Australia.

**CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES**

	Three months ended, June 30,		Six months ended June 30,	
Sources and Uses of Cash (in thousands of dollars)	2016	2015	2016	2015
Cash used in operations prior to changes in working capital	\$(2,042)	\$(586)	\$(3,969)	\$(1,443)
Changes in non-cash working capital	1,629	(49)	1,630	(627)
Cash used in operating activities	\$(413)	\$(635)	\$(2,339)	\$(2,070)
Cash provided by (used in) investing activities	(3,286)	357	(3,818)	1,434
Cash provided by financing activities	6,185	3,338	6,179	3,333
Change in cash and cash equivalents	\$2,486	\$3,060	\$22	\$2,697

Operating Activities

For the three months ended June 30, 2016, cash used in operating activities, prior to changes in non-cash working capital, was \$2.0 million compared to \$0.6 million cash used 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 June 30, 2016, the decrease in non-cash working capital was \$1.6 million compared to a negligible change in the same period last year. The decrease in non-cash working capital (\$1.6 million) is due primarily to an increase in accounts payable and accrued liabilities (\$3.2 million), a decrease in inventories (\$1.2 million) and offset by an increase in amounts receivable (\$2.7 million) during the three months ended June 30, 2016. For the three months ended June 30, 2016, cash used in operating activities was \$0.4 million compared to cash used in operating activities of \$0.6 million for the three months ended June 30, 2015.

For the six months ended June 30, 2016, cash used in operating activities, prior to changes in non-cash working capital, was \$4.0 million compared to \$1.4 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 six months ended June 30, 2016, non-cash working capital decreased by \$1.6 million compared to a \$0.6 million increase for the six months ended June 30, 2015. The decrease in non-cash working capital (\$2.3 million) is due primarily to an increase in the accounts payable (\$4.4 million) offset by an increase in inventories (\$2.0 million) and an increase in amounts receivable (\$0.3 million). For the six months ended June 30, 2016, cash used in operating activities was \$2.3 million compared to cash used in operating activities of \$2.1 million for the six months ended June 30, 2015.

Investing Activities

For the three months ended June 30, 2016, cash used in investing activities was \$3.3 million, which reflects acquisition of property, plant and equipment (\$3.4 million) and expenditures on mineral property interests (\$1.1 million), partially offset by cash acquired on acquisition of VMS (\$1.2 million). For the three months ended June 30, 2015, the cash provided by investing activities was \$0.4 million, which reflects a reduction in the collateral investment to secure an outstanding letter of credit issued to Hydro-Québec (\$2.7 million) and



Royal Nickel Corporation

proceeds on sale of surplus property, plant and equipment (\$0.2 million), partially offset by expenditures on mineral property interests (\$2.6 million).

For the six months ended June 30, 2016, cash used in investing activities was \$3.8 million, which primarily reflects acquisition of property, plant and equipment (\$3.9 million), expenditures on mineral property interests (\$2.7 million), acquisition of initial 20% interest in SLM (\$2.5 million), partially offset by cash acquired on acquisitions of SLM (\$4.2 million) and VMS (\$1.2 million). For the six months ended June 30, 2015, cash provided by investing activities was \$1.4 million, which reflects a reduction in the collateral investment to secure an outstanding letter of credit issued to Hydro-Québec (\$3.7 million), tax credits received (\$1.0 million) and proceeds on sale of surplus property, plant and equipment (\$0.2 million), partially offset by expenditures on mineral property interests (\$3.5 million).

Financing Activities

For the three and six months ended June 30, 2016, net cash provided by financing activity was \$6.2 million, which reflects issuance of common shares on a bought deal basis (\$8.1 million) and exercise of common share options and warrants (\$0.3 million), partially offset by repayment of long-term debt (\$1.7 million) and finance leases (\$0.5 million). For the three and six months ended June 30, 2015, cash provided by financing activities was \$3.3 million, which primarily reflects net proceeds of \$3.3 million from the June 12, 2015, private placement of flow through and other shares.

For the three months ended June 30, 2016, the net cash provided by operating, investing and financing activities was \$2.5 million, compared to net cash provided by such activities of \$3.1 million in the same period last year. For the six months ended June 30, 2016, the net cash provided from operating, investing and financing activities was negligible, compared to net cash provided by such activities of \$2.7 million in the same period last year.

The Corporation raised total gross proceeds of \$8.7 million by issuing a total of 17,060,000 common shares in an offering described in the short-form prospectus (the “**Prospectus**”) of the Corporation dated, and filed on SEDAR on, May 20, 2016 (including common shares issued on the partial exercise by the underwriters of the over-allotment option granted by the Corporation as part of such financing). Total net proceeds of the offering, after deducting underwriters fees and other expenses, was \$7.6 million. Set out below is a comparison of use of the proceeds of this offering as described in the Prospectus versus actual.



Royal Nickel Corporation

Use of Proceeds (in thousands of dollars)	Use of proceeds Short Form Prospectus Dated May 20, 2016	Actual use of proceeds June 30, 2016
Salt Lake Mining Pty. Ltd		
Working Capital	\$1,000	\$5,320
Resource Definition Drilling to confirm inferred resources to indicated or measured categories, as described under the heading "Exploration, Development and Production" in the Corporation's most recent AIF	1,600	90
Exploration Drilling to define new resources to extend mine life, as described under the heading "Exploration, Development and Production" in the Corporation's most recent AIF	1,400	90
Royal Nickel Corporation		
General working capital purposes	4,701	291
	\$8,701	\$5,791

As noted in the Prospectus, the amount actually expended for the purposes described above could vary significantly from what the Prospectus disclosure depending on, among other things, the gold price, unforeseen events, and the Company's future operating and capital needs from time to time. There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. As further noted in the Prospectus, in circumstances where RNC and SLM budgets and cash flow projection assumptions are not met thereby affecting its cash flow, RNC may adjust or defer its spending budget and restructure its costs in order to maintain a positive working capital, if it is unable to raise required additional debt or equity financing.

As not all funds were used by June 30, 2016, actual use to June 30, 2016 was less than Prospectus disclosure. The remainder will be used in subsequent quarter(s).

Liquidity and Capital Resources

(in thousands of dollars)	June 30, 2016	December 31, 2015
Cash and cash equivalents	\$9,656	\$9,634
Working capital ¹	\$(12,849)	\$7,796
Property, plant and equipment ²	\$58,523	\$1,151
Mineral property interests	\$83,571	\$69,290
Total assets	\$166,773	\$82,559
Shareholders' equity	\$93,975	\$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 and VMS.

During the first six months of 2016, the Corporation has transitioned from the exploration and evaluation stage into a gold, nickel and copper producer and remains 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 June 30, 2016, the Corporation had a working capital deficit of \$12.8 million compared to \$7.8 million working capital as at December 31, 2015. The decrease in working capital as at June 30, 2016, reflects primarily the negative working capital acquired as part of the SLM and VMS transactions, the initial SLM acquisition payment, expenditures on general and administrative activities, post-acquisition investment in SLM property, plant and equipment, and continued investment in the Dumont Nickel Project.

As at June 30, 2016 the Corporation had cash and cash equivalents of \$9.7 million. Management estimates that these funds will not be sufficient to fund the advancement of 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.

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

(in thousands of dollars)	Payments due by period				
	Total	Less than 1 year	1–3 years	4–5 years	After 5 years
Finance leases	\$1,355	\$1,355	\$-	\$-	\$-
Operating leases	181	165	16	-	-
Total contractual obligations	\$1,536	\$1,520	\$16	\$-	\$-

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 JUNE 30, 2016

On July 21, 2016, the Corporation closed a non-brokered private placement financing and issued 3,274,000 flow-through shares of the Corporation at a price of \$0.51 per flow-through share for gross proceeds of \$1,670.

OUTSTANDING SHARE DATA

As at August 15, 2016, the Corporation had 247,476,090 common shares issued and outstanding.

As at August 15, 2016, the Corporation had the following securities outstanding, which are exercisable for common shares:

	Number of Securities	Weighted Average Exercise Price
Stock options	16,206,185	\$0.51
Warrants	727,636	\$0.38
Compensation options	541,800	\$0.51

As at August 15, 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	2,504,736

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.



Royal Nickel Corporation

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

On March 15, 2016, the Corporation completed the acquisition of its interest in SLM. On April 27, 2016, the Corporation completed the acquisition of VMS. The results of SLM's and VMS's operation have been included in these financial statements since the respective date of the acquisition. However, the Corporation has not completed the review of the internal controls used by SLM and VMS. 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 and VMS's controls, policies and procedures from the June 30, 2016 certification of internal controls. Financial information concerning SLM and VMS is disclosed in the *Description of Business* and *Operational Review* sections of this MD&A and in Notes 3 and 4 of the condensed consolidated interim financial statements for the three months ended June 30, 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 June 30, 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 June 30, 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 and VMS activities. Refer to Note 2 of the unaudited condensed consolidated interim 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 and in the May 20, 2016 Short Form Prospectus 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 June 30, 2016, the Corporation acquired the Reed Lake Mine



and commenced reporting its copper 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 and Reed Mine businesses of the Corporation.

The Corporation's Beta Hunt 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.

	Three Months Ended June 30, 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	19,239	6,990
Production and toll-processing costs	\$3,236	\$1,010
Royalty expense	384	187
General and administration related to production	740	144
Operating costs (related to tonnes processed) (CDN\$)	\$4,360	\$1,341
Average exchange rate (CDN\$1 – US\$)	0.78	0.76
Cash operating cost (US\$)	\$3,383	\$1,025
Cash operating cost (per tonne processed) (US\$)	\$176	\$147
Tonnes of nickel sold (payable)	418	212
Cash operating cost (US\$)	\$3,383	\$1,025
Cash operating cost (per tonne sold) (US\$)	\$8,084	\$4,846
Cash operating cost (per lb. sold) (US\$)	\$3.67	\$2.20



Gold (in thousands of dollars except per tonne or per ounce)	
Tonnes of gold mineralization processed	80,359
Production and toll-processing costs	\$4,183
Royalty expense	1,180
General and administration related to production	387
Operating costs (related to tonnes processed) (CDN\$)	\$5,751
Average exchange rate (CDN\$1 – US\$)	0.78
Cash operating cost (US\$)	\$4,461
Cash operating cost (per tonne processed)	\$56
Ounces of gold sold (payable)	5,401
Cash operating cost (US\$)	\$4,461
Cash operating cost (per ounce sold)	\$826

All-in Sustaining Cost

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

	Three Months Ended June 30, 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)	418	212
Cash operating cost (US\$)	\$3,383	\$1,025
General and administration – corporate (US\$)	109	40
Sustaining capital expenditures (US\$)	88	-
All-in sustaining cost (US\$)	\$3,580	\$1,065
All-in sustaining cost (per tonne sold) (US\$)	\$8,555	\$5,023
All-in sustaining cost (per lb sold) (US\$)	\$3.88	\$2.28
Gold (in thousands of dollars except per tonne or per ounce)		
Ounces of gold sold (payable)	5,401	
Cash operating cost (US\$)	\$4,461	
General and administration – corporate (US\$)	43	
Sustaining capital expenditures (US\$)	2,349	
All-in sustaining cost (US\$)	\$6,853	
All-in sustaining cost (per ounce sold)(US\$)	\$1,269	



The Corporation's Reed Mine operation (30% interest) relates to the extraction of copper metal, for which cash operating costs are disclosed below:

	Three Months Ended June 30, 2016	Period from April 27 to June 30, 2016
Copper (in thousands of dollars except per tonne or per lb.)		
Tonnes of copper ore processed	33,301	28,252
Mining costs	\$2,458	\$1,732
Transport	1,142	871
Milling costs	2,013	1,535
General and administration related to production	199	143
Operating costs, before by-product credits (CDN\$)	\$5,812	\$4,281
By-product credits	(760)	(533)
Operating costs, net of by-product credits (CDN\$)	5,052	3,748
Average exchange rate (CDN\$1 – US\$)	0.78	0.77
Cash operating cost (US\$)	\$3,919	\$2,904
Cash operating cost (per tonne processed) (US\$)	\$118	\$103
Tonnes of copper sold (payable)	1,464	1,142
Cash operating cost (US\$)	\$3,919	\$2,904
Cash operating cost (per tonne sold) (US\$)	\$2,677	\$2,543
Cash operating cost (per lb. sold) (US\$)	\$1.21	\$1.15

All-in Sustaining Cost

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

	Three Months Ended June 30, 2016	Period from April 27 to June 30, 2016
Copper (in thousands of dollars except per tonne or per lb.)		
Tonnes of copper sold (payable)	1,464	1,142
Cash operating cost (US\$)	\$3,919	\$2,904
General and administration – corporate (US\$)	448	94
Sustaining capital expenditures (US\$)	-	-
All-in sustaining cost (US\$)	\$4,367	\$2,997
All-in sustaining cost (per tonne sold) (US\$)	\$2,983	\$2,626
All-in sustaining cost (per lb sold) (US\$)	\$1.35	\$1.19



Adjusted EBITDA

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

EBITDA excludes the impact of financing activities, depreciation and amortization, and taxes, and therefore is not necessarily indicative of operating profit or cash flow 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; depreciation and amortization; one time costs (acquisition costs); and share-based payments.

	Three months ended, June 30,		Six months ended June 30,	
(in thousands of dollars)	2016	2015	2016	2015
Loss for the period	\$(7,549)	\$(1,240)	\$(9,154)	\$(1,547)
Deferred income tax expense (recovery)	109	279	282	(701)
Other expenses (income), net	3,238	(79)	2,538	68
Depreciation and amortization	1,872	-	1,933	-
EBITDA	\$(2,330)	\$(1,040)	\$(4,401)	\$(2,180)
Share-based payments	1,530	363	1,761	577
Acquisition costs	1,960	-	2,573	-
Adjusted EBITDA	\$1,160	\$(677)	\$(67)	\$(1,603)