



ROYAL NICKEL CORPORATION

(Doing business as RNC Minerals)

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016



Royal Nickel Corporation

TABLE OF CONTENTS

Introduction	3
Cautionary Statement Regarding Forward-Looking Information	3
Description Of Business	4
Third Quarter And Recent Highlights	5
Operational Review	6
Outlook	12
Results Of Operations	13
Summary Of Quarterly Results	14
Cash Flows, Liquidity And Capital Resources	15
Contractual Commitments	18
Off-Balance Sheet Arrangements	19
Proposed Transactions	19
Events Subsequent To September 30, 2016	19
Outstanding Share Data	19
Disclosure Controls And Internal Controls Over Financial Reporting	20
International Financial Reporting Standards	20
Risk Factors	20
Non-IFRS Measures	21



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**", "RNC Minerals", "**Royal Nickel**" or the "**Corporation**") constitutes management's review of the factors that affected the Corporation's financial and operating performance for the three and nine months ended September 30, 2016. This MD&A, dated November 13, 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 nine months ended September 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. 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.



THIRD QUARTER AND RECENT HIGHLIGHTS

- Beta Hunt pre-commercial gold sales were 7,570 ounces, a 40% increase from 5,402 ounces in the prior quarter as the company completed three tolls during the quarter. Once a longer-term offtake agreement is finalized (expected shortly after the date of this MD&A), the variability between quarterly production and sales will be reduced, although sales will lag behind production until ramp-up completed. Gold production was 7,094 ounces for Q3 2016, a decrease of 7% from prior quarter, and below previously announced guidance of 10,500 - 11,000 ounces for the quarter as issues in two stopes led to lower grades and lower volumes than expected. Leadership at the Beta Hunt mine was replaced at the end of the quarter. Kevin Small recently joined RNC as Director, Mining Operations to complete the ramp-up of the mine by the first quarter of 2017. RNC's share of gold in concentrate from the Reed Mine was 320 ounces.
- Copper contained in concentrate production from Reed Mine was 2.8 MM lbs. (1.3 kt) (30% basis). Cash costs were US\$1.40 per pound sold and all-in sustaining costs were US\$1.47 per pound sold (compared to US\$1.21 and US\$1.35 respectively in the prior quarter). The contribution loan balance owing to Hudbay as at September 30, 2016 was \$10.0 million (\$13.6 million as at June 30, 2016). The bridge loan balance owing to Hudbay as at September 30, 2016 was \$3.4 million (\$3.4 million as at June 30, 2016). Total loan balances as at September 30, 2016 was \$13.4 million (\$17.0 million as at June 30, 2016). Due to the approximate 100 day delay in the finalization of ore concentrate sales, these quarter-end loan balances do not reflect VMS' net share of the excess of the proceeds from concentrate sales during the quarter over production, administrative and operator costs. This excess as at September 30, 2016 was \$5.8 million (\$7.0 million as at June 30, 2016). Net of this receivable, the total contribution loan and bridge loan balance as at September 30, 2016 would be \$7.6 million (\$10.0 million as at June 30, 2016).
- Nickel in concentrate production from Beta Hunt was 0.29 kt, a decline of 31% as the Corporation focused on gold production. Cash costs were US\$5.90 per pound sold and all-in sustaining costs were US\$6.19 per pound sold (compared to US\$3.67 and US\$3.88 respectively in the prior quarter).
- Adjusted EBITDA for the quarter was \$(0.6) million and adjusted loss was \$4.3 million
- The Corporation incurred a net loss of \$8.6 million (\$0.03 per share) for the three months ended September 30, 2016 compared to a net loss of \$1.5 million (\$0.01 per share) for the same period in 2015.
- 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 were satisfied by RNC's 32% equity partner at TNN, and by CEE-eligible flow-through funds already held by the Corporation and its subsidiaries.
- On July 21, 2016, the Corporation announced the discovery of two new high grade gold mineralized zones at its Qiqavik Project in Northern Quebec. The new discoveries have extended the district-scale mineralized trend at Qiqavik to over 40 km, more than doubling the known extent of the trend. Prospecting in 2016 has resulted in the discovery of two new intrusion related high grade gold occurrences, the Aurora and Esperance zones, yielding multiple surface grab samples ranging from 5 to 189 g/t gold and up to 10% copper. Several outcropping areas, also containing high grade silver and zinc, represent a potentially important new discovery in an underexplored volcano-sedimentary belt within the Cape Smith Belt.



Royal Nickel Corporation

- On September 13, 2016, the Corporation announced it has registered "RNC Minerals" as a business name and began to conduct business under that name. RNC continues to trade on the TSX under the symbol RNX and on the OTCQX exchange under the symbol RNKLF. Until the new name has been formally approved at the next meeting of shareholders, RNC will continue to submit regulatory filings and be listed on the TSX as Royal Nickel Corporation.
- On September 23, 2016, the Corporation closed a bought deal private placement financing of 27,059,500 units at a price of \$0.34 per unit, for gross proceeds of \$9,200. Each unit is comprised of one common share of the Corporation and one-half of one common share purchase warrant. Each whole warrant is exercisable at a price of \$0.50 and entitles the holder thereof to acquire one common share of the Corporation on or before September 23, 2018.
- On October 3, 2016, the Corporation closed a US\$16.5 million senior secured gold loan and US\$6.5 million working capital facilities with Auramet International LLC ("Auramet"). The senior secured gold loan will be repaid by the delivery of 16,800 gold ounces over a thirty month period commencing on February 28, 2017 (560 ounces per month). The Corporation also granted call options to Auramet on 1,000 gold ounces per month, with a strike price of A\$1,900 and expiration dates from February 28, 2017 through September 30, 2018. The US\$6.5 million in working capital facilities are comprised of a US\$5.5 million in-process gold facility and a US\$1.0 million in-process nickel facility. These facilities bear interest at a rate of LIBOR plus 4.5% per annum, and form part of agreements providing for the purchase by Auramet at market rates of all gold and nickel produced by the Beta Hunt mine during the term of the senior secured gold loan. In conjunction with the senior secured gold loan, the Corporation and Auramet implemented a forward sale gold price protection program covering 1,300 gold ounces per month at an average price of A\$1,728 over a fifteen month period from February 2017 through April 2018. The senior secured Metal Prepay Agreement ("MPA") facility was fully repaid.

OPERATIONAL REVIEW

Salt Lake Mining – Beta Hunt Mine

In the third quarter of 2016, 13.1kt of nickel mineralization were mined and 105kt of gold mineralization were mined.

- The leadership of the Beta Hunt Mine was replaced. Kevin Small recently joined RNC Minerals as Director, Mining Operations. Kevin will lead the ramp-up and operation of the Beta Hunt Mine and ensure it is successfully completed by the first quarter of 2017. Kevin brings 26 years of experience in underground mine operations in precious and base metals and a successful track record in mine management and leadership of technical teams at Kirkland Lake Gold and St. Andrews Goldfields.
- 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 greater than 5,000 ounces of gold per month.
- Development continued to open up new areas within the Western Flanks and A Zone. A total of 1037m of combined capital and operating development was completed in Q3.
- Three toll milling campaigns were completed with 139,963 tonnes of gold mineralization being milled during the quarter. The switch to FMR Investments Pty Ltd ("FMR") Mill for the second and third



Royal Nickel Corporation

campaigns saw an increase from 89 to 93% recovery due to the finer grind achieved in the FMR Mill. A total of 13,100 tonnes of nickel mineralization were milled at the BHPB Kambalda Mill during the quarter, producing 290 tonnes of nickel in concentrate. Underground diamond drilling has focused on infill drilling for near to medium term gold mining areas in the Western Flanks and A Zone. A total of 3626 m of drilling in 20 holes have been completed.



Q3 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 Production from Beta Hunt Mine:

Beta Hunt Gold and Nickel Operation	Q3 2016	Q2 2016	Q1 2016
Gold tonnes mined (000s)	105	95.4	66.2
Gold mined grade (g/t) ¹	2.10 ²	2.48 ¹	2.41
Gold tonnes milled (000s)	140.0	80.4	43.1
Gold mill grade (g/t) ¹	2.24	2.23	2.65
Gold mined (ounces) ^{1,2}	7,094	7,599	5,636
Gold sales (ounces)	7,570 ⁵	5,402	3,416
Gold C1 cash operating cost (US\$ per ounce sold) ^{3,4}	\$997	\$826	N/A ⁴
Gold all-in sustaining cost (US\$ per ounce sold) ^{4,5}	\$1,305	\$1,269	N/A ⁴
Nickel tonnes mined (000s)	13.1	19.1	29.4
Nickel tonnes milled (000s)	13.3	19.2	29.7
Nickel mill grade, nickel (%)	2.48	2.34	3.04
Nickel in concentrate tonnes (000s)	0.29	0.42	0.8
Nickel C1 cash operating cost (US\$ per lb. sold) ⁴	\$5.90	\$3.67	\$2.63
Nickel C1 cash operating cost (US\$ per tonne sold) ⁴	\$13,012	\$8,084	\$5,808
Nickel all-in sustaining cost (AISC) (US\$ per lb. sold) ⁴	\$6.19	\$3.88	\$2.83
Nickel all-in sustaining cost (AISC) (US\$ per tonne sold) ⁴	\$13,637	\$8,555	\$6,229

^{1.} The June 2016 mineralization mine grade and ounces were finalized with the final results from the Q3 2016 toll, which resulted in lower gold mine grade (2.48) than previously reported (2.54). The September 2016 mineralization mine grade and ounces will be finalized with the final results from the Q4 2016 toll. The Q3 numbers provided above include preliminary estimates of the ROM grade.

^{2.} As of September 30, 2016, 5 kt of gold mineralization from September 2016 production remained on the ROM pad for tolling in the subsequent quarter, compared to 39 kt of gold mineralization from June 2016 production as of June 30, 2016 and 23 kt 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.

^{5.} Note that 1,730 ounces of gold remained in in-process inventory from the tonnage milled during the quarter.

The first nine months 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 Q1 2017. 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.

Reed Mine Q3 2016 Production

For the three months ended September 30, 2016, VMS's 30% share of metal contained in concentrate production from the Reed Mine was 1,271 t of copper and 320 oz of gold. Production from the mine continued to be robust with mined tonnes consistent year-over-year, grades 13% higher than the same quarter last year, and AISC cash costs per pound of \$1.47 per pound. Mined grades were lower as expected, than the record grades achieved in the second quarter of the year, as the mine moved into lower grade production blocks.

Reed Mine Q3 2016 Operating Review (100% basis)

	Q3 2016	Q2 2016	Q1 2016	Q3 2015	Q2 2015	Q1 2015
Ore (tonnes hoisted)	112,929	114,452	111,461	113,043	112,505	118,645
Ore (tonnes milled)	119,795	111,002	94,997	115,741	109,429	122,609
Copper (%)	3.59	4.87	4.38	3.18	3.12	2.81
Zinc (%)	0.59	0.45	0.82	1.48	0.93	0.68
Gold (g/t)	0.42	0.60	0.54	0.50	0.59	0.60
Silver (g/t)	6.61	7.47	7.21	6.55	6.21	6.68

Reed Mine Q3 2016 Production and Costs (30% basis)

	Q3 2016	Q2 2016
Copper contained in concentrate (tonnes)	1.3	1.5
Gold contained in concentrate (ounces)	320	402
Copper operating cash cost per pound sold ¹	\$1.40	\$1.21
Copper all-in sustaining cost per pound sold ¹	\$1.47	\$1.35

Dumont Nickel Project

During Q3 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 September 30, 2016:

- **Roasting Tests:** Samples of the Dumont calcine were sent to potential customers and testing was ongoing through Q3.
- **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. These studies continued through Q3.



Royal Nickel Corporation

- **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 (\$0.9 million) and corporate expenditures (\$1.3 million) for the fourth quarter of 2016.

Exploration Properties

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.

The success of the 2015 West Raglan exploration program led to the expansion of the Qiqavik Property westward through staking. In July and August 2016, the Corporation completed a regional prospecting, mapping and geophysical program over this westward extension as well as geophysics and minor drilling over the eastern portion of the property (Gerfaut Block).

On September 19, 2016, the Corporation announced the discovery of two new intrusion related high grade gold occurrences, the Aurora and Esperance zones, yielding multiple surface grab samples ranging from 5 to 189 g/t gold and up to 10% copper. Several outcropping areas, also containing high grade silver and zinc, represent a potentially important new discovery in an underexplored volcano-sedimentary belt within the Cape Smith Belt. These discoveries have extended the district-scale mineralized trend at Qiqavik to over 40 km, more than doubling the known extent of the trend.

Aurora Zone

Gold mineralization at the Aurora Zone, situated about 20 km west of the Gerfaut discoveries made in 2015, occurs in smoky quartz veins up to 30 cm wide trending parallel to a granitic body. Some of these veins are zoned, with whitish quartz phases and various proportions of sulphides (trace to 8%). Sulphides include pyrite, pyrrotite, chalcopyrite, galena, sphalerite and, more rarely, arsenopyrite. Visible gold was observed in two locations. No drilling has been completed on this target.

The granitic unit has been mapped over a strike length of 600 metres based on outcrops and subcrop boulders. Its maximum apparent surface thickness is 75 metres. Outcropping quartz veins are oriented parallel to the sill axis, and dip 45 to 75 degrees to the NNE. The granite is bounded by a basalt ridge to the south and by intermediate to felsic tuffs, sediments, and basalt to the north. Metasomatic fuchsite alteration occurs at the southern contact of the Aurora granite.

Twelve surface grab samples from quartz veins taken from different location within the sill graded from 5 g/t Au, up to 189 g/t Au. Assay results include grades of 67.8 g/t Au, 58.2 g/t Au, 58.1 g/t Au, 46.8 g/t Au, 34.8 g/t



Royal Nickel Corporation

Au and 26.4 g/t Au. High gold grades were obtained over 200 metres of strike length. Two channel samples were taken over a continuous 45cm interval across an outcropping quartz vein and into the altered granitic host rock. This interval returned 5.46 g/t over 0.45m including 30cm at 5.6 g/t Au and 15cm at 5.2g/t Au.

Esperance Zone

Gold and Copper mineralization at the Esperance Zone, situated about 10 km west of the Aurora discovery, is associated with a large mineralized shear zone trending ENE-WSW hosting disseminated to massive sulphides. Mineralization occurs parallel to this trend for more than 500m and is associated with a large resistive body with moderate chargeability. This association is a very prospective target for future exploration programs. No drilling has been completed on this target.

Thirteen surface grab samples taken from different location within the mineralized shear zone graded from 4 g/t Au, up to 32 g/t Au. Assay results include grades of 31.9 g/t Au, 20.1 g/t Au, 21.7 g/t Au, 21.3 g/t Au, 18.7 g/t Au and 13.2 g/t Au. Significant copper results from the Esperance Zone include 10.3% Cu, 1.8% Cu, 1.7% Cu, 1.5 and 1.2% Cu.

Gerfaut Zone

Drilling in 2016 was focused on the Gerfaut Zone in the eastern part of the Qiqavik Property to test IP anomalies defined in the early stages of the 2016 program. Priority was given to anomalies coincident with mineralized boulders. In total 550m were drilled in 6 holes. Due to drilling technical difficulties, only 55% of the planned 1000m of drilling was completed. Also, three of the six holes failed to reach target depth due to drilling technical difficulties leaving these targets untested.

Drilling returned several intervals grading greater than 1 g/t Au. The source of the high-grade gold boulders in the Gerfaut Zone has not been identified; consequently this area remains prospective for future exploration. The most interesting drilling results were from hole QK-16-006 that was terminated at 56 metres before reaching target depth due to technical difficulties. This hole targeted a strong chargeability anomaly associated with a strong resistivity anomaly at 90 metres depth but intersected a zone of gold mineralization in the upper portion of the hole that yielded 1.17 g/t Au over 1.43m from 34.5 metres. This geophysical anomaly remains untested.

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

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.

Minor mapping and target definition exploration work was completed concurrently with the Qiqavik Program in July and August 2016.

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



Royal Nickel Corporation

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 ended September 30, 2016. VMS exploration properties are being evaluated for alignment with the Corporation's strategic objectives.

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 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 Beta Hunt (100% basis) is expected to be approximately 1.5 – 2 kt of nickel. As indicated in earlier news releases, nickel production has been reduced due to the combination of lower nickel prices and a focus on gold production. With the delays in the ramp-up of the gold mining operation, 2016 gold production is expected to be approximately 29-30 koz of gold (100% basis). The gold production ramp-up at the Beta Hunt Mine is expected to complete by Q1 2017 and gold mined production is expected to reach 8.5-10,000 ounces during Q4 2016 and achieve an annualized gold production rate of 60,000 ounces during Q1 2017. Payable gold production is expected to in excess of 60,000 ounces during 2017.

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. RNC continues to explore financing opportunities to fund all stages of the development of the Dumont Nickel Project. RNC continues active discussions for



Royal Nickel Corporation

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, 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 September 30, 2016, compared with three months ended September 30, 2015

The Corporation's loss for the period totalled \$8.6 million for the three months ended September 30, 2016, (with basic and diluted loss per share of \$0.03). This compares with a net loss of \$1.5 million (with basic and diluted loss per share of \$0.01) for the three months ended September 30, 2015. The net loss increase of \$7.1 million is due primarily to higher other expenses (\$3.8 million), higher Beta Hunt mine operating loss (\$3.5 million) and higher corporate general and administrative expenses (\$0.5 million), and, partially offset by Reed mine operating income (\$0.9 million) (see operating income (loss) information in Note 24 of Corporation's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2016).

The increase in other expenses (\$3.8 million) is due primarily to the change in fair value (\$2.2 million) and accretion (\$0.5 million) of SLM's senior secured facility, SLM finance costs (\$0.5 million), and accretion of VMS's contribution loan from Hudbay (\$0.3 million).

The increase in corporate general and administrative expenses (\$0.5 million) is due primarily to higher share-based payments (\$0.3 million), acquisition costs (\$0.2 million) on the Corporation's acquisitions of SLM and VMS, and higher consulting fees (\$0.3), partially offset by lower business development expenses (\$0.3 million).



Nine months ended September 30, 2016, compared with nine months ended September 30, 2015

The Corporation's loss for the period totalled \$17.7 million for the nine months ended September 30, 2016, (with basic and diluted loss per share of \$0.09). This compares with a net loss of \$3.1 million (with basic and diluted loss per share of \$0.02) for the nine months ended September 30, 2015. The net loss increase of \$14.6 million is due primarily to higher other expenses (\$6.3 million), higher corporate general and administrative expenses (\$4.8 million), Beta Hunt mine operating loss (\$4.8 million) and higher deferred income tax expense (\$1.1 million), partially offset by Reed mine operating income (\$2.5 million (see operating income (loss) information in Note 24 of Corporation's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2016).

The increase in other expenses (\$6.3 million) is due primarily to the change in fair value (\$4.1 million) and accretion (\$1.0 million) of SLM's senior secured facility, and SLM finance costs (\$1.1 million).

The increase in corporate general and administrative expenses (\$4.8 million) is due primarily to acquisition costs (\$2.8 million) on the Corporation's acquisitions of SLM and VMS, higher share-based payments (\$1.5 million) and higher professional fees (\$0.5).

SUMMARY OF QUARTERLY RESULTS

Summary of Quarterly Results

(expressed in thousands of dollars except per share amounts)

	2016				2015			2014
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Loss attributable to RNC shareholders	\$(8,438)	\$(7,820)	\$(1,696)	\$(2,531)	\$(1,326)	\$(1,214)	\$(251)	\$(3,008)
Basic and diluted loss per share attributable to RNC shareholders	\$(0.03)	\$(0.04)	\$(0.01)	\$(0.02)	\$(0.01)	\$(0.01)	\$(0.00)	\$(0.04)

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 Q1 2017. The SLM senior secured gold loan is repayable in gold to be delivered, which have embedded derivatives that are to be 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 Note 24 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 gold loan, being denominated in U.S. dollars, and its Beta Hunt mine being located in Australia.



CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

	Three months ended, September 30,		Nine months ended September 30,	
Sources and Uses of Cash (in thousands of dollars)	2016	2015	2016	2015
Cash used in operations prior to changes in working capital	\$(7,412)	\$(1,207)	\$(11,381)	\$(2,650)
Changes in non-cash working capital	2,058	(369)	3,688	(996)
Cash used in operating activities	\$(5,354)	\$(1,576)	\$(7,693)	\$(3,646)
Cash provided by (used in) investing activities	(3,902)	6,492	(7,720)	7,926
Cash provided by financing activities	9,564	3,882	15,743	7,215
Change in cash and cash equivalents	\$308	\$8,798	\$330	\$11,495

Operating Activities

For the three months ended September 30, 2016, cash used in operating activities, prior to changes in non-cash working capital, was \$7.4 million compared to \$1.2 million cash used in the same period last year. The increase in cash used is due primarily to higher other expenses and Beta Hunt mine operating loss as outlined above under the "Results of Operations" section. For the three months ended September 30, 2016, the decrease in non-cash working capital was \$2.1 million compared to an increase of \$0.4 million in the same period last year. The decrease in non-cash working capital (\$2.4 million) is due primarily to a decrease in amounts receivable (\$2.2 million) and a decrease in inventories (\$0.1 million), offset by a decrease in accounts payable and accrued liabilities (\$0.2 million) during the three months ended September 30, 2016. For the three months ended September 30, 2016, cash used in operating activities was \$5.4 million compared to cash used in operating activities of \$1.6 million for the three months ended September 30, 2015.

For the nine months ended September 30, 2016, cash used in operating activities, prior to changes in non-cash working capital, was \$11.4 million compared to \$2.6 million in the same period last year. The increase in cash used is due primarily to higher other expenses, corporate general and administrative expenses, and Beta Hunt mine operating loss as outlined above under the "Results of Operations" section. For the nine months ended September 30, 2016, non-cash working capital decreased by \$3.7 million compared to a \$1.0 million increase for the nine months ended September 30, 2015. The decrease in non-cash working capital (\$4.7 million) is due primarily to an increase in the accounts payable (\$3.7 million) and an increase in amounts receivable (\$1.9 million), partially offset by an increase in inventories (\$1.9 million). For the nine months ended September 30, 2016, cash used in operating activities was \$7.7 million compared to cash used in operating activities of \$3.6 million for the nine months ended September 30, 2015.

Investing Activities

For the three months ended September 30, 2016, cash used in investing activities was \$3.9 million, which reflects expenditures on mineral property interests (\$2.8 million) and acquisition of property, plant and equipment (\$1.1 million). For the three months ended September 30, 2015, the cash provided by investing activities was \$6.5 million, which reflects \$8.7 million net proceeds received from the sale of the NSR royalty to Orion Mine Finance, a reduction in the collateral investment to secure an outstanding letter of credit issued



Royal Nickel Corporation

to Hydro-Québec (\$0.3 million) and net tax credits and mining duties received (\$0.2 million), partially offset by expenditures on mineral property interests (\$2.6 million).

For the nine months ended September 30, 2016, cash used in investing activities was \$7.7 million, which primarily reflects expenditures on mineral property interests (\$5.6 million), acquisition of property, plant and equipment (\$4.9 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 nine months ended September 30, 2015, cash provided by investing activities was \$7.9 million, which reflects \$8.7 million net proceeds received from the sale of the NSR royalty to Orion Mine Finance, a reduction in the collateral investment to secure an outstanding letter of credit issued to Hydro-Québec (\$4.0 million), tax credits received (\$1.2 million) and proceeds on sale of surplus property, plant and equipment (\$0.2 million), partially offset by expenditures on mineral property interests (\$6.1 million).

Financing Activities

For the three months ended September 30, 2016, net cash provided by financing activity was \$9.6 million, which reflects issuance of common shares net of costs (\$9.9 million) and private placement by TNN (\$1.0 million), partially offset by repayment of long-term debt (\$0.8 million) and finance leases (\$0.5 million). For the three months ended September 30, 2015, cash provided by financing activities was \$3.9 million, which primarily reflects net proceeds of \$3.9 million from the July 8, 2015, private placement of common shares.

For the nine months ended September 30, 2016, net cash provided by financing activity was \$15.7 million, which reflects issuance of common shares net of costs (\$18.0 million), private placement by TNN (\$1.0 million), and exercise of common share options and warrants (\$0.3 million), partially offset by repayment of long-term debt (\$2.5 million) and finance leases (\$1.0 million). For the nine months ended September 30, 2015, cash provided by financing activities was \$7.2 million, which primarily reflects net proceeds of \$3.9 million from the July 8, 2015 private placement of common shares and net proceeds of \$3.3 million from the June 12, 2015, private placement of flow through and other shares.

For the three months ended September 30, 2016, the net cash provided by operating, investing and financing activities was \$0.3 million, compared to net cash provided by such activities of \$8.8 million in the same period last year. For the nine months ended September 30, 2016, the net cash provided from operating, investing and financing activities was \$0.3 million, compared to net cash provided by such activities of \$11.5 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 September 30, 2016
Salt Lake Mining Pty. Ltd		
Working Capital	\$1,000	\$7,392
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	501
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	174
Royal Nickel Corporation		
General working capital purposes	4,701	634
	\$8,701	\$8,701

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 September 30, 2016, actual use to September 30, 2016 was less than Prospectus disclosure. The remainder will be used in subsequent quarter(s).

Liquidity and Capital Resources

(in thousands of dollars)	September 30, 2016	December 31, 2015
Cash and cash equivalents	\$9,964	\$9,634
Working capital ¹	\$(17,867)	\$7,796
Property, plant and equipment ²	\$59,421	\$1,151
Mineral property interests	\$86,540	\$69,290
Total assets	\$168,927	\$82,559
Shareholders' equity	\$97,084	\$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 nine 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,



funds obtained from the exercise of stock options and warrants and, more recently, debt (see Note 24 of the Condensed Consolidated Interim Financial Statements).

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 September 30, 2016, the Corporation had a working capital deficit of \$17.9 million compared to \$7.8 million working capital as at December 31, 2015. The decrease in working capital as at September 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 gold production ramp up and property, plant and equipment, and continued investment in the Dumont Nickel Project.

As at September 30, 2016 the Corporation had cash and cash equivalents of \$10.0 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	\$814	\$814	\$-	\$-	\$-
Operating leases	533	233	300	-	-
Total contractual obligations	\$1,347	\$1,047	\$300	\$-	\$-

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 SEPTEMBER 30, 2016

On October 3, 2016, the Corporation closed a US\$16.5 million senior secured gold loan and US\$6.5 million working capital facilities with Auramet International LLC ("Auramet").

The senior secured gold loan will be repaid by the delivery of 16,800 gold ounces over a thirty month period commencing on February 28, 2017 (560 ounces per month). The Corporation also granted call options to Auramet on 1,000 gold ounces per month, with a strike price of A\$1,900 and expiration dates from February 28, 2017 through September 30, 2018.

The US\$6.5 million in working capital facilities are comprised of a US\$5.5 million in-process gold facility and a US\$1.0 million in-process nickel facility. These facilities bear interest at a rate of LIBOR plus 4.5% per annum, and form part of agreements providing for the purchase by Auramet at market rates of all gold and nickel produced by the Beta Hunt mine during the term of the senior secured gold loan.

In conjunction with the senior secured gold loan, the Corporation and Auramet implemented a forward sale gold price protection program covering 1,300 gold ounces per month at an average price of A\$1,728 over a fifteen month period from February 2017 through April 2018.

On October 3, 2016, the senior secured MPA facility was fully repaid using the US\$16,003 net proceeds from the senior secured gold loan, US\$1,899 proceeds from the in-process gold facility, and a US\$1,026 payment by the Corporation.

OUTSTANDING SHARE DATA

As at November 13, 2016, the Corporation had 274,704,900 common shares issued and outstanding.

As at November 13, 2016, the Corporation had the following securities outstanding, which are exercisable for common shares:

	Number of Securities	Weighted Average Exercise Price
Stock options	16,056,186	\$0.51
Warrants	14,257,386	\$0.49
Compensation warrants/options	1,451,805	\$0.41



Royal Nickel Corporation

As at November 13, 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	2,867,081

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. 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 and VMS by the end of the 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 September 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 and nine months ended September 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 September 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 September 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.



Royal Nickel Corporation

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 nine months ended September 30, 2016, the Corporation acquired the Beta Hunt Mine and commenced reporting its nickel and gold production and 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 September 30, 2016	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	13,285	19,239	6,990
Production and toll-processing costs	\$5,224	\$3,236	\$1,010
Royalty expense	281	384	187
General and administration related to production	150	740	144
Operating costs (related to tonnes processed) (CDN\$)	\$5,655	\$4,360	\$1,341
Average exchange rate (CDN\$1 – US\$)	0.77	0.78	0.76
Cash operating cost (US\$)	\$4,333	\$3,383	\$1,025
Cash operating cost (per tonne processed) (US\$)	\$326	\$176	\$147
Tonnes of nickel sold (payable)	333	418	212
Cash operating cost (US\$)	\$4,333	\$3,383	\$1,025
Cash operating cost (per tonne sold) (US\$)	\$13,012	\$8,084	\$4,846
Cash operating cost (per lb. sold) (US\$)	\$5.90	\$3.67	\$2.20

	Three Months Ended September 30, 2016	Three Months Ended June 30, 2016
Gold (in thousands of dollars except per tonne or per ounce)		
Tonnes of gold mineralization processed	116,585	80,359
Production and toll-processing costs ^{1,2}	\$7,575	\$4,183
Royalty expense	2,062	1,180
General and administration related to production	207	387
Operating costs (related to tonnes processed) (CDN\$)	\$9,847	\$5,751
Average exchange rate (CDN\$1 – US\$)	0.77	0.78
Cash operating cost (US\$)	\$7,545	\$4,461
Cash operating cost (per tonne processed)	\$65	\$56
Ounces of gold sold (payable)	7,570	5,401
Cash operating cost (US\$)	\$7,545	\$4,461
Cash operating cost (per ounce sold)	\$997	\$826

¹ Production and toll-processing costs for the three months ended September 30, 2016 excludes typical inventory adjustments of \$895 and capitalized development of \$502 as of September 30, 2016..

**All-in Sustaining Cost**

All-in sustaining cost represents cash operating cost plus corporate general and administrative costs (“G&A”) plus sustainable capital expenditures.

	Three Months Ended September 30, 2016	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)	333	418	212
Cash operating cost (US\$)	\$4,333	\$3,383	\$1,025
General and administration – corporate (US\$)	208	109	40
Sustaining capital expenditures (US\$)	-	88	-
All-in sustaining cost (US\$)	\$4,541	\$3,580	\$1,065
All-in sustaining cost (per tonne sold) (US\$)	\$13,637	\$8,555	\$5,023
All-in sustaining cost (per lb sold) (US\$)	\$6.19	\$3.88	\$2.28
Gold (in thousands of dollars except per tonne or per ounce)			
Ounces of gold sold	7,570	5,401	
Cash operating cost (US\$)	\$7,545	\$4,461	
General and administration – corporate (US\$)	520	43	
Sustaining capital expenditures (US\$)	1,811	2,349	
All-in sustaining cost (US\$)	\$9,876	\$6,853	
All-in sustaining cost (per ounce sold)(US\$)	\$1,305	\$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 September 30, 2016	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	33,879	33,301	28,252
Mining costs	\$2,313	\$2,458	\$1,732
Transport	1,057	1,142	871
Milling costs	2,033	2,013	1,535
General and administration related to production	180	199	143
Operating costs, before by-product credits (CDN\$)	\$5,583	\$5,812	\$4,281
By-product credits	(668)	(760)	(533)
Operating costs, net of by-product credits (CDN\$)	4,915	5,052	3,748
Average exchange rate (CDN\$1 – US\$)	0.77	0.78	0.77
Cash operating cost (US\$)	\$3,765	\$3,919	\$2,904
Cash operating cost (per tonne processed) (US\$)	\$111	\$118	\$103
Tonnes of copper sold (payable)	1,217	1,464	1,142
Cash operating cost (US\$)	\$3,765	\$3,919	\$2,904
Cash operating cost (per tonne sold) (US\$)	\$3,093	\$2,677	\$2,543
Cash operating cost (per lb. sold) (US\$)	\$1.40	\$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 September 30, 2016	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)	1,217	1,464	1,142
Cash operating cost (US\$)	\$3,765	\$3,919	\$2,904
General and administration – corporate (US\$)	79	448	94
Sustaining capital expenditures (US\$)	103	-	-
All-in sustaining cost (US\$)	\$3,948	\$4,367	\$2,997



Royal Nickel Corporation

All-in sustaining cost (per tonne sold) (US\$)	\$3,243	\$2,983	\$2,626
All-in sustaining cost (per lb sold) (US\$)	\$1.47	\$1.35	\$1.19

Adjusted Loss for the Period and Adjusted Loss per Share

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

Adjusted Loss for the Period is the sum of loss for the period reported in RNC's condensed consolidated interim financial statements and the gold profit or loss capitalized to Property, Plant and Equipment. This measure reflects the loss for the period as if Beta Hunt had reached commercial gold production.

(in thousands of dollars)	Three months ended, September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Loss for the period – as reported	\$(8,565)	\$(1,514)	\$(17,719)	\$(3,061)
Gold profit (loss) capitalized	750	-	(261)	-
Share-based payments	227	(128)	1,988	449
Acquisition costs	77	-	2,650	-
Change in fair value – senior secured facility	2,195	-	4,082	-
Accretion – senior secured facility	537	-	1,040	-
Accretion – contribution loan	299	-	556	-
Foreign exchange loss (gain)	190	-	(140)	-
Adjusted Loss for the Period	\$(4,290)	\$(1,642)	\$(7,804)	\$(2,612)
Weighted average number of common shares	248,843,672	130,147,590	197,072,032	117,318,503
Adjusted EBITDA per share	\$(0.02)	\$(0.01)	\$(0.04)	\$(0.02)



Adjusted EBITDA and Adjusted EBITDA per share

Management believes that EBITDA and Adjusted EBITDA are valuable indicators of the Corporation's ability to generate operating cash 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 and includes depreciation and amortization on gold property plant and equipment and pre-commercial gold cost of sales net of gold revenue.

	Three months ended, September 30,		Nine months ended September 30,	
(in thousands of dollars)	2016	2015	2016	2015
Loss for the period	\$(8,565)	\$(1,514)	\$(17,719)	\$(3,061)
Deferred income tax expense (recovery)	440	287	722	(414)
Other expenses (income), net	3,925	41	6,463	154
Depreciation and amortization	1,671	-	3,604	-
EBITDA	\$(2,529)	\$(1,186)	\$(6,930)	\$(3,321)
Pre-commercial (gold cost of sales in excess of gold revenue) gold revenue in excess of of cost of sales	750	-	(261)	-
Depreciation and amortization on gold property plant and equipment	831	-	1,792	-
Share-based payments	227	(128)	1,988	449
Acquisition costs	77	-	2,650	-
Adjusted EBITDA	\$(644)	\$(1,314)	\$(761)	\$(2,872)
Weighted average number of common shares	248,843,672	130,147,590	197,072,032	117,318,503
Adjusted EBITDA per share	\$(0.00)	\$(0.01)	\$(0.00)	\$(0.02)