ROYAL NICKEL CORPORATION

(Doing business as RNC Minerals)

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2016

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INTRODUCTION

The following management's discussion and analysis ("**MD&A**") of the financial condition and results of the operations of Royal Nickel Corporation and its subsidiaries ("**RNC**", "**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 year ended December 31, 2016. This MD&A, dated March 31, 2017, is intended to supplement and complement the Corporation's audited consolidated financial statements – prepared in accordance with International Financial Reporting Standards ("**IFRS**") – and related notes for the year ended December 31, 2016 and should be read in conjunction with both the audited consolidated financial statements and the Corporation's most recent Annual Information Form on file with Canadian provincial securities regulatory authorities and available at www.sedar.com. Unless otherwise noted, all amounts presented are in thousand Canadian dollars.

DESCRIPTION OF BUSINESS

RNC is a mineral resource company primarily focused on the acquisition, responsible development and operation of a high-quality portfolio of base and precious metals assets. 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 ("**Beta Hunt**"), the Dumont Nickel Project, strategically located in the established Abitibi mining camp, 25 kilometres northwest of Amos, Quebec, an effective 68% holding in the Qiqavik and West Raglan exploration projects through its wholly owned subsidiary True North Nickel ("TNN") 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 between February and May 2016 the Corporation acquired 100% of Salt Lake Mining, a private company whose main asset is a 100% interest in the Beta Hunt Mine, a nickel and gold producer located in the prolific Kambalda mining district of Australia. The Beta Hunt Mine is located 600 km east of Perth in Kambalda, Western Australia. SLM acquired the property in 2013 and succeeded in re-combining the nickel and gold rights. Nickel operations were re-started in 2014 and have operated continuously since then. Initial gold production occurred in June and July, 2014 and recommenced at the end of 2015. Due to the depressed nickel market Beta Hunt shifted its focus from a nickel to gold producer. Beta Hunt is still in the ramp-up phase and has not yet commenced commercial gold production.

Dumont Nickel Project

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

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

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

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

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.

2016 AND RECENT HIGHLIGHTS

- As a result of two transactions announced in early 2016, the Corporation transformed itself from a single nickel project development company to a multi-asset producer of gold, nickel, and copper. To recognize the evolution and better reflect its asset base, the Corporation began operating under the name RNC Minerals in September 2016.

- Beta Hunt pre-commercial gold production was 27,882 ounces in 2016, including 7,553 ounces in the fourth quarter. Gold sales were 20,958 ounces in 2016, including 4,571 ounces in the fourth quarter. The mine remains in ramp-up phase. Commercial production of gold is expected to commence during the second quarter of 2017. As previously reported, Beta Hunt gold production came in lower than expectations. New management was put in place on October 1, 2016 to make the changes required to achieve targeted run rates of in excess of 60 kilo ounces per annum ("**kozpa**"). Gold sales in 2016 were impacted by the completion of a toll of material mined in 2016 that was not completed until early 2017. For 2016, gold cash costs net of by-product credits were US$1,331 per ounce sold and all-in sustaining costs net of by-product credits were US$1,608 per ounce sold (excluding in each case inventory adjustments of C$4.3 million as of December 31, 2016). As previously reported, throughput levels and costs were adversely affected by lower than expected development rates which delayed access to new stopes and equipment availability issues which impacted both development rates and throughput levels.

- Beta Hunt 2016 nickel in concentrate production was 1.8 kt. As previously reported, Management reduced nickel production due to depressed nickel prices and in order to focus on gold production.

- Reed Mine 2016 copper contained in concentrate was 7.5 MM lbs. (3.4 kt) (30% basis) for the April 27, 2016 to December 31, 2016 period. Cash costs were US$1.40 per pound sold and all-in sustaining costs were US$1.49 per pound sold. RNC's share of 2016 gold in concentrate production from the Reed Mine was 935 ounces.

- On September 19, 2016, the Corporation announced the discovery of two new high grade gold mineralized zones at its TNN subsidiary's Qiqavik Project in Northern Quebec. Prospecting in 2016 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. 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.

- The Corporation also successfully restructured the two financing facilities it inherited when it completed the SLM and VMS acquisitions earlier in 2016. The Corporation replaced the existing Beta Hunt credit facility with a US$16.5 million senior secured gold loan and a US$7 million working capital facility entered into with Auramet International LLC ("Auramet"). The Corporation also replaced the Reed facility with a US$6.5 million senior secured copper loan and a US$5 million working capital facility entered into with Auramet.

- Combined operating loss from Beta Hunt and Reed Mine was $0.1 million for the year ended December 31, 2016. Until commercial production is declared, Beta Hunt gold cost of sales, net of gold revenue, are capitalized to property, plant and equipment.

- The Corporation incurred a net loss of $28.6 million ($0.13 per share) for the year ended December 31, 2016, compared to a net loss of $5.6 million ($0.04 per share) for the same period in 2015, due largely to a number of one-time items and write-downs related to the acquisitions of SLM and VMS and the recent sale of 50% of Dumont to Waterton (described below).

Subsequent to the end of the quarter, the Corporation announced the following significant transactions:

- On February 13, 2017, the Corporation announced it had reached a toll processing rights and asset purchase option with Westgold Resources Limited ("**Westgold**"). Under the agreement, in exchange for a tolling rights payment of A$3,000 (to be satisfied with RNC shares), Westgold granted the Corporation access to 50% of its South Kalgoorlie Operations ("**SKO**") plant capacity for a twelve-month period commencing July 1, 2017. Upon commencement of toll processing, the Corporation will pay Westgold processing fees on a fixed plus variable arrangement on commercial terms. Westgold also granted the Corporation a six-month option to purchase SKO, including all existing mining, milling and infrastructure, for A$80 million (C$80,016). The Corporation will pay Westgold an option fee of A$4,000 (C$4,001) (5% of the Purchase Price), also to be satisfied with RNC shares. This fee will be deducted from the purchase price on an exercise of the option. The Corporation will issue a total of 23.4 million shares to secure these tolling rights and the initial option to acquire SKO. In the event the Corporation elects to exercise the option, the remaining purchase price would be satisfied with a combination of cash and RNC common shares (with the share portion increasing Westgold's ownership interest up to 19.9% of RNC).

- On March 7, 2017, the Corporation announced that it had agreed with Focused Capital Corp. to spin out True North Nickel ("**TNN**") into a public entity via a reverse take-over ("**RTO**") of Focused. The Corporation also announced that TNN had entered into an option agreement with Carolina Gold Resources in respect of two U.S. gold properties, which will be included in the spun-out TNN assets. Following completion of the RTO, the resulting issuer will hold all of TNN's assets and conduct the business of TNN.

- On March 21, 2017, the Corporation entered into a contribution agreement under which Waterton Precious Metals Fund II Cayman, LP and Waterton Mining Parallel Fund Onshore Master, LP (collectively "**Waterton**") will, subject to the satisfaction of certain closing conditions, acquire 50% of the Corporation's interest in the Dumont Nickel Project for US$22.5 million (C$30 million) in cash. The Corporation and Waterton will each also contribute US$17.5 million (C$23,333) into a newly established joint venture vehicle that will own Dumont and pursue other nickel opportunities. US$5 million of this amount will be allocated to Dumont-related carrying costs and other expenses incurred over the next four years (expected to include the cost of an updated feasibility study).

OPERATIONAL REVIEW

Beta Hunt Mine

In 2016, the Beta Hunt Mine focused on ramping up its gold production and mined 371 kt of gold mineralization containing 27.9 koz of gold. Due to depressed nickel prices, management curtailed the mining of nickel mineralisation earlier in 2016 and mined only 73kt containing 1.8 kt of nickel for 2016. As previously reported, the mine did not achieve its production objectives for the year and new management was put in place as of October 1, 2016 to focus on increasing the pace of mine development to allow access to sufficient mine headings and to allow target grade and throughput levels to be reached. Mine development improved during Q4 but equipment availability issues slowed the pace of development and impacted production levels resulting in production coming in below expectations. Gold C1 and AISC costs net of by-product credits of US$1,260 and AISC US$1,543 (excluding in each case inventory adjustments of C$4.3 million as of December 31, 2016) were also higher than expectations for the year due the combination of slower than expected pace of mine development which delayed access to higher grade ore and lower throughput levels. During the fourth quarter of 2016, run-of-mine ore grades improved above 2.5 g/t which combined with lower grade development ore resulted in average grade milled in Q4 of 2.26 g/t. Cash costs are expected to improve going forward as the mine achieves improved grades and throughput levels.

Nine toll milling campaigns were completed with 354 kt of gold mineralization containing 21.5 koz of gold being milled during 2016. A tenth campaign was underway at year-end with gold in in-process inventory which impacted year-end sales.

A total of 73.9 ktonnes of nickel mineralization were milled at the BHPB Kambalda Mill during 2016, producing 1.8 ktonnes 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 3,626 m of drilling in 20 holes have been completed.

YTD Production

Beta Hunt Gold and Nickel Operation

For the year ended December 31, 2016 the Beta Hunt Mine was not 100% owned until May 31, 2016. The following is a summary of the quarterly 2016 Production from Beta Hunt Mine:

Beta Hunt Gold and Nickel Operation	YTD	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Gold tonnes mined (000s)	371	104	105	95.4	66.2
Gold mined grade (g/t)[1]	2.3	2.26	2.10[2]	2.48[1]	2.41
Gold tonnes milled (000s)	354	89.96	140.0	80.4	43.1
Gold mill grade (g/t)[1]	2.29	2.26	2.24	2.23	2.65
Gold mined (ounces)[1,2]	27,882	7,553	7,094	7,599	5,636
Gold sales (ounces)	20,958	4,571	7,570	5,401	3,416
Nickel tonnes mined (000s)	73.3	11.7	13.1	19.1	29.4
Nickel tonnes milled (000s)	73.9	11.7	13.3	19.2	29.7
Nickel mill grade, nickel (%)	2.72	2.80	2.48	2.34	3.04
Nickel in concentrate tonnes (000s)	1.80	0.29	0.29	0.42	0.8

Beta Hunt Gold and Nickel Operation	YTD
Gold all-in sustaining cost, net of by-product credits (US$ per ounce sold)[3,4,5]	$1,608
Gold C1 cash operating cost, net of by-product credits (US$ per ounce sold)[3,4,5]	$1,331
Nickel C1 cash operating cost (US$ per lb. sold)[4]	$2.20
Nickel C1 cash operating cost (US$ per tonne sold)[4]	$4,854
Nickel all-in sustaining cost (AISC) (US$ per lb. sold)[4]	$2.23
Nickel all-in sustaining cost (AISC) (US$ per tonne sold)[4]	$4,927

1. The difference in gold sales ounces and gold mined ounces is due to a delay in reporting outturns from the Perth Mint in the last two weeks of December 2016. The outstanding gold sales occurred in Q1 2017.
2. As of December 31, 2016, 22 kt of gold mineralization from December 2016 production remained on the ROM pad for tolling in the subsequent quarter, compared to 5 kt of gold mineralization from September 2016 production as of September 30, 2016.
3. Gold operations in 2016 were at the early stage of the ramp up towards commercial production and operating and sustaining costs per ounce are not comparable to other companies.
4. All-in sustaining cost, net of by-product credits, cash operating cost, net of by-product credits, cash operating cost, cash operating cost per tonne, all-in sustaining cost, and all-in sustaining cost per tonne are

not recognized measures under IFRS. Such non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Management uses these measures internally. The use of these measures enables management to better assess performance trends. Management understands that a number of investors, and others who follow RNC's performance, assess performance in this way. Management believes that these measures better reflect RNC's performance and are better indications of its expected performance in future periods. This data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

5. Excluding in each case typical inventory adjustments of C$4.3 million as of December 31, 2016.

2016 was a period of transition for the Beta Hunt Mine as it ramped up gold production and prepared for commencement of commercial production expected during the second quarter of 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 2016 Production

For the year ended December 31, 2016, VMS's 30% share of metal contained in concentrate production from the Reed Mine was 3.4 kt of copper and 935 oz of gold. Production from the mine continued to be robust with mined tonnes consistent year-over-year, grades 26% higher than last year, and AISC cash costs per pound of $1.49. Mined grades for Q4 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 2016 Operating Review by quarter (100% basis)

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Ore (tonnes hoisted)	104,719	112,929	114,452	111,461	119,183	113,043	112,505	118,645
Ore (tonnes milled)	123,596	119,795	111,002	94,997	114,835	115,741	109,429	122,609
Copper (%)	2.90	3.59	4.87	4.38	3.51	3.18	3.12	2.81
Zinc (%)	0.63	0.59	0.45	0.82	0.88	1.48	0.93	0.68
Gold (g/t)	0.44	0.42	0.60	0.54	0.49	0.50	0.59	0.60
Silver (g/t)	5.76	6.61	7.47	7.21	7.56	6.55	6.21	6.68

Reed Mine 2016 Production and Costs (30% basis)

	Apr. 27 – Dec. 31, 2016
Copper contained in concentrate (kilo tonnes)	3.4
Gold contained in concentrate (ounces)	935
Copper cash operating cost per pound sold [1]	$1.40
Copper all-in sustaining cost per pound sold [1]	$1.49

1. Cash operating cost per pound, and all-in sustaining cost per pound, are not recognized measures under IFRS. Such non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Management uses these measures internally. The use of these measures enables management to better assess performance trends. Management understands that a number of investors, and others who follow RNC's performance,

assess performance in this way. Management believes that these measures better reflect RNC's performance and are better indications of its expected performance in future periods. This data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Dumont Nickel Project

During 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 2016:

- ***Roasting Tests:*** Samples of the Dumont calcine were sent to potential customers and testing was ongoing through Q4.

- ***Dumont Project Engineering***: Work continued on two proposals 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 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.

Exploration Properties

Qiqavik Property

On March 2, 2016 the Corporation announced that its 68% owned TNN subsidiary 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, pyrrhotite, 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 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 in 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.

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. No significant work was completed by the Corporation on the VMS properties during 2016. VMS exploration properties are currently 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

The outlook and financial targets only relate to fiscal 2017. This outlook includes forward-looking information about the Corporation's operations and financial expectations, and is based on management's expectations and outlook as of March 31, 2017. This outlook, including expected results and targets, is subject to various risks, uncertainties and assumptions, which may impact future performance and our achievement of the results and targets discussed in this section. For additional information on forward-looking information, refer to "Forward-Looking Information" on page 29 of this MD&A. We may update our outlook depending on changes in metals prices and other factors.

Beta Hunt Mine 2017 Guidance

In 2017, gold production from Beta Hunt is expected to be approximately 65-70 koz of gold at an all-in-sustaining-cost of $US900-1,000 per ounce.

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 2017 Guidance

Hudbay has not provided production guidance for the Reed Mine. The following information is RNC's management estimate of production and costs. In 2017, RNC expects its 30% share of production from the Reed Mine to be 4-5 kt of copper and 0.8-1.1 koz of gold.

Dumont Nickel Project

The Corporation continues to explore all financing and partnership opportunities to allow Dumont to advance to construction when market conditions permit. As described above, the Corporation recently announced that it had entered into a contribution agreement under which, subject to the satisfaction of certain closing conditions, Waterton will acquire 50% of the Corporation's interest in Dumont for US$22.5 million (CDN$30 million). The Corporation and Waterton will each also inject US$17.5 million (CDN$23 million) into a newly established joint venture vehicle owned 50/50 by the Corporation and Waterton that will own 100% of Dumont and have $US 35 million in cash to continue to advance Dumont and pursue other nickel opportunities. US$5 million of this amount will be allocated to Dumont-related carrying costs and other expenses to be incurred over the next four years (expected to include the cost of an updated feasibility study).

TNN

The Corporation continues to analyze geological geophysical data generated by the successful 2016 exploration program at its 68%-owned (through TNN) Qiqavik gold project to assist in preparation for follow-up drilling of the Aurora and Esperance discoveries and further regional exploration on the Qiqavik Property. As described above, the Corporation recently announced that it had agreed to spin out TNN, including the two U.S. gold properties that are the subject of a recently-announced option agreement with Carolina Gold Resources, into a separately listed public entity.

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.

SELECTED ANNUAL FINANCIAL INFORMATION

The following selected financial data are derived from the audited consolidated financial statements of the Corporation for the years ended December 31, 2016, 2015, and 2014:

(expressed in thousands of dollars except per share amounts)

	2016	2015	2014
Revenue	$32,681	$-	$-
Net loss	($28,617)	($5,616)	($9,972)
Net loss per share (basic and diluted)	($0.13)	($0.04)	($0.10)
Total assets	$159,292	$82,559	$80,292
Non-current liabilities	$27,149	$11,728	$11,302

Royal Nickel has not, since the date of its incorporation, declared or paid any dividends on its common shares. For the foreseeable future, Royal Nickel anticipates that it will retain future earnings and other cash resources for the operation and development of its business.

RESULTS OF OPERATIONS

Year ended December 31, 2016, compared with year ended December 31, 2015
The Corporation's net loss totalled $28.6 million for the year ended December 31, 2016 (with basic and diluted loss per share of $0.13). This compares with a net loss of $5.6 million (with basic and diluted earnings per share of $0.04) for the year ended December 31, 2015. The net loss increase of $23.0 million is due primarily to impairment charges ($17.4 million), higher general and administrative expenses ($5.7 million) and losses on retired debt ($6.3 million).

During the year, the Corporation purchased SLM and VMS during a period when its share price increased significantly. As the purchase price for these transactions was based on the fair value of the shares issued at that time, there was an excess purchase price, a portion of which was expensed as a non-cash impairment charge in other expenses. The impairment charges for SLM and VMS were $7.9 million and $4.5 million, respectively. In addition, as a result of the transaction described in the Events Subsequent to December 31, 2016 section below, the Corporation recorded during the fourth quarter of 2016 an impairment charge on its Dumont property of $5.0 million.

The increase in general and administrative expenses ($5.7 million) is due primarily to acquisition costs for the acquisitions of SLM and VMS ($2.7 million), higher share based payments ($1.9 million), and a general increase related to the acquisitions of VMS and SLM. The increase in the non-cash share-based payments expense ($1.9 million) is due primarily to management taking share based payments in lieu of compensation and bonuses.

The increase in other expenses ($4.7 million) is primarily due to losses from retired SLM's and VMS' long-term debt totaling $6.3 million. Partially offsetting were net gains of $3.4 million in respect of financial derivative instruments.

SUMMARY OF QUARTERLY RESULTS

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

				2016[1]				2015
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	**$9,423**	**$10,740**	**$11,066**	**$1,452**	$-	$-	$-	$-
Loss attributable to RNC shareholders	**$(16,549)**	**$(4,789)**	**$(5,827)**	**$(1,696)**	$(2,531)	$(1,326)	$(1,214)	$(251)
Basic and diluted loss per share attributable to	**$(0.07)**	**$(0.02)**	**$(0.03)**	**$(0.01)**	$(0.02)	$(0.01)	$(0.01)	$(0.00)

[1] Reference is made to note 29 to the Consolidated Financial Statements with respect to certain changes in accounting policy.

RNC
shareholders

The loss for the fourth quarter of 2016 of $16.5 million is higher than loss during fourth quarter of 2015 level of $2.5 million by $14.0 million. The fourth quarter of 2016 had impairment charges totaling $17.4 million as described above. Excluding these impairment charges, there was income of $0.9 million. The Corporation's results reflect the acquisitions of operating mines. Therefore, revenues of $9.4 million compare favorably to revenues of nil in 2015.

CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash (in thousands of dollars)	Year ended December 31, **2016**	2015
Cash provided by (used in) operations prior to changes in working capital	**$30,194**	$(4,677)
Changes in non-cash working capital	**7,644**	(910)
Cash provided by operating activities	**37,838**	(5,587)
Cash provided by (used in) investing activities	**(23,923)**	5,066
Cash provided by (used in) financing activities	**(18,704)**	7,212
Change in cash and cash equivalents	**$(4,789)**	$6,691

Operating Activities
For the year ended December 31, 2016, cash provided by operating activities, prior to changes in non-cash working capital, of $30.2 million was well above 2015 cash used of $4.7 million. Although net losses were substantially higher in 2016, most of the 2016 loss related to non-cash impairments totaling $17.4 million as well as non-cash share based payments of $2.3 million. For the year ended December 31, 2016, cash from operations including working capital totaled $37.8 million compared with cash used by operations of $5.6 million in 2015, a $43.4 million variance. As described in notes 5, 10 and 11 to the consolidated financial statements, the debts of both SLM and VMS were restructured in 2016. As part of the debt restructuring, the Corporation sold a portion of its future gold, copper and nickel production for a cumulative amount of $34.5 million which was recorded as deferred revenues. In addition, working capital changes provided cash of $7.6 million compared with a use of $0.9 million in 2015. The working capital increase is mostly related to the acquisition of operating mines in 2016.

Investing Activities
For the year ended December 31, 2016, total cash used by investing activities was $23.9 million compared with cash provided by investing activities of $5.1 million in 2015, a $29.0 million variance. The higher activity in investing activities relates to the Corporation's transition to an operating company as a result of its recent business acquisitions. In 2016, additions to property, plant and equipment totalled $19.7 million (2015-nil). The expenditures mostly related to SLM for the Beta Hunt Mine which is in pre-commercial development and therefore incurring higher levels of spending. As the Beta Hunt gold operation is in pre-commercial production, net costs excluding depreciation totalling $9.8 million were capitalized to property, plant and equipment (see note 8 to the consolidated financial statements). In addition, $2.5 million of cash was used for the initial investment in SLM.

Financing Activities

For the year ended December 31, 2016, cash used for financing activities was $18.7 million, which is a variance of $25.9 million compared with the $7.2 million of cash provided by financing activities in 2015. In 2016, the Corporation had a net cash inflow of $18.0 million from the issuance of shares compared with $7.2 million in 2015, for an increase of $10.8 million. The Corporation also raised $3.1 million from the issuance of new debt. Offsetting was a use of cash to restructure the debts of SLM and VMS of $40.7 million. Reference is made to notes 5, 10, 11 and 13 to the notes to the consolidated financial statements for a discussion on these financing activities.

As a result of the foregoing activities, for the year ended December 31, 2016, the net cash used in operating, investing and financing activities was $4.8 million compared to net cash provided by these activities of $6.7 million in 2015.

Liquidity and Capital Resources

(in thousands of dollars)	**December 31, 2016**	December 31, 2015
Cash and cash equivalents	**$4,845**	$9,634
Working capital[1]	**$(26,243)**	$7,796
Mineral property interests	**$72,886**	$69,290
Total assets	**$159,292**	$82,559
Shareholders' equity	**$87,869**	$68,278

1. Working capital is a measure of current assets (Including cash and cash equivalents) less current liabilities.

During 2016, the Corporation has transitioned from the exploration and evaluation stage into a gold, nickel and copper producer and still 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. In 2016, the Corporation issued debt, secured advance sales arrangements and working capital financing facilities to finance the VMS and SLM business activities and repay the existing debt arrangements. Reference is made to notes 5, 10 and 11 for a description of the working capital financing, long debt paid and refinanced and deferred revenue arrangements.

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 December 31, 2016, the Corporation had a working capital deficit of $26.2 million compared to $7.8 million working capital as at December 31, 2015. The decrease in working capital of $34.0 million, primarily reflects the negative working capital acquired as part of the SLM transaction, the initial SLM acquisition payment, expenditures on general and administrative activities, and post-acquisition investment in SLM gold production ramp up and property, plant and equipment.

As at December 31, 2016 the Corporation had cash and cash equivalents of $4.8 million. Management estimates that these funds will not be sufficient to fund the advancement of exploration properties, meet obligations to 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.

RELATED PARTY TRANSACTIONS

The following table reflects the remuneration of key management, which consists of the Corporation's directors and executive officers, and other related party transactions:

Remuneration of key management

(in thousands of dollars)	Year ended December 31,	
	2016	2015
Management salaries and benefits	**$2,207**	$1,142
Share-based payments – Management	**333**	641
Directors fees	**-**	18
Share-based payments – Directors	**936**	469
Mark-to-market adjustment for cash settled share-based payments	**757**	(506)
	$4,233	$1,764

Reference is made to note 18 for a description of management salaries and benefits.

The Corporation is party to certain employment contracts with senior executives. These contracts contain clauses requiring additional payments to be made upon the occurrence of certain events, including contract termination or the change of control of the Corporation. The total amount of severance that would have become payable to the senior executives had a change of control or terminations without cause occurred on December 31, 2016, is $2.4 million.

CONTRACTUAL COMMITMENTS

				Payments due by period	
(in thousands of dollars)	Total	Less than 1 year	1–3 years	4–5 years	After 5 years
Finance leases	$1,383	$1,383	$-	$-	$-
Operating leases	461	202	259	-	-
Total contractual obligations	**$1,844**	**$1,585**	**$259**	**$-**	**$-**

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

EVENTS SUBSEQUENT TO DECEMBER 31, 2016

On March 21, 2017 the Corporation entered into a joint venture arrangement (the “JV Arrangement”) with Waterton Precious Metals Fund II Cayman, LP and Waterton Mining Parallel Fund Onshore Master, LP (collectively, “Waterton”). Pursuant to the terms of the JV Arrangement, Waterton agreed to acquire 50% of the Corporation’s interest in the Dumont Nickel Project for US$22,500 (C$29,970) in cash, implying a value of C$60,000 for 100% of the asset. RNC and Waterton will also inject US$17,500 each (for a total of US$35,000) into a newly established limited partnership (the “JV Entity”) that will own Dumont, support its advancement to development, and acquire high quality nickel assets globally. The JV Arrangement provides for a unique structure within the resource sector and sets forth a partnership between an innovative mining private equity firm and a leading nickel executive team to create and unlock value within the nickel industry. The JV Entity’s objective is to establish a pure play nickel company with multiple projects operating in stable jurisdictions.

On March 7, 2017 the Corporation announced that its 68% owned subsidiary, True North Nickel Inc. (“TNN”), which holds the Qiqavik and West Raglan projects, has entered into a letter of intent (the “LOI”) with Focused Capital Corp. (“Focused”), to spin out TNN via a reverse take-over of Focused. In addition, TNN entered into an option agreement with Carolina Gold Resources (“CGR”) on two gold properties located in the United States’ Carolina Gold belt area to be included in the TNN assets intended to be spun out into the newly listed entity and listed for trading on the TSX Venture Exchange upon completion of the transaction. The newly listed entity intends to complete a capital raise to fund 2017 exploration programs at Qiqavik and West Raglan located in the Cape Smith Belt of northern Quebec and the CGR properties located in the Carolina Gold Belt.

On February 13, 2017, the Corporation announced it had reached a toll processing and purchase option agreement with Westgold Resources Limited (“Westgold”) for its South Kalgoorlie Operation (“SKO”). Under the toll agreement, Westgold granted the Corporation access to 50% of its SKO plant capacity for a twelve month period commencing July 1, 2017. Upon exercise of the toll processing option, the Corporation will pay Westgold toll processing fees on a fixed plus variable arrangement on commercial terms. Westgold also granted the Corporation a six-month option (the “Option”) to purchase the SKO operations outright, including all existing mining, milling and infrastructure, for A$80,000 (C$80,016) (the “Purchase Price”). If exercised, the Corporation will pay Westgold an option fee of A$4,000 (C$4,001), equal to 5% of the Purchase Price, to be satisfied by the issuance of shares of the Corporation. This fee will be deducted from the Purchase Price on exercise by the Corporation of the Option. The Corporation is entitled to extend the Option for an additional six months by paying an additional 5% fee (the “Extended Option Payment”). Should the Corporation exercise the Option after six months, only the Extended Option Payment shall be deducted from the Purchase Price. The Corporation will issue a total of 23.4 million shares to secure these tolling rights and option to acquire the SKO operation. In the event the Corporation elects to exercise the Option, the remaining Purchase Price would be satisfied with a combination of cash and common shares of the Corporation (with the share portion increasing Westgold’s ownership interest up to 19.9% of the Corporation).

OUTSTANDING SHARE DATA

As at March 31, 2017, the Corporation had 276,236,052 common shares issued and outstanding.

As at March 31, 2017, the Corporation had the following securities outstanding, which are exercisable for common shares:

	Number of Securities	Weighted Average Exercise Price
Stock options	28,221,185	$0.41
Warrants	17,198,386	$0.49
Compensation warrants	1,451,805	$0.41

As at March 31, 2017, 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	6,251,750

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.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to apply accounting policies and make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. There is full disclosure of the Corporation's critical accounting policies and accounting estimates in note 2 of the audited consolidated financial statements for the year ended December 31, 2016.

There were no changes to the accounting policies applied by the Corporation to each of the 2016 quarterly unaudited condensed interim consolidated financial statements, compared to those applied by the Corporation to the consolidated financial statements for the year ended December 31, 2016, except for policies adopted to account for SLM and VMS activities.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

The CEO and the CFO are also responsible for the design of internal controls over financial reporting ("**ICFR**"). The fundamental issue is ensuring all transactions are properly authorized and identified and entered into a well-designed, robust and clearly understood accounting system in a timely manner to minimize risk of inaccuracy, failure to fairly reflect transactions, failure to fairly record transactions necessary to present consolidated financial statements in accordance with IFRS, unauthorized receipts and expenditures or the inability to provide assurance that unauthorized acquisitions or dispositions of assets can be detected. The relatively small size of Royal Nickel makes the identification and authorization process relatively efficient and a process for reviewing ICFR has been developed. To the extent possible given the Corporation's small size, the internal control procedures provide for separation of duties for receiving, approving, coding and handling of invoices, entering transactions into the accounts, writing cheques and wire requests. All payments also require the approval of two signing officers.

The CEO and CFO evaluated whether there were changes to the ICFR during the three months ended December 31, 2016 that have materially affected, or are reasonably likely to affect, the ICFR. The only change to the ICFR during the three months ended December 31, 2016 was to remove the previous scope limitation for VMS controls, policies and procedures. The CEO and CFO evaluated the effectiveness of the Corporation's DCP and ICFR as required by National Instrument 52-109 issued by the Canadian Securities Administrators. Their assessment of and conclusion on the design and effectiveness of the Corporation's DCP and ICFR as at December 31, 2016, did not include the controls or procedures of the operations of SLM, which were acquired on March 15, 2016 and are included in the December 31, 2016 consolidated financial statements.

The following table summarizes the financial information for SLM following its acquisition:

	For the period March 15 to December 31, 2016
Revenues	10,004
Loss before income taxes	(9,446)

	As at December 31, 2016
Current assets	14,528
Non-current assets	22,775
Current liabilities	27,549
Non-current liabilities	12,644

They concluded that as of December 31, 2016, except as described in the previous paragraphs, the Corporation's design and operation of its DCP and ICFR were effective in providing reasonable assurance that material information regarding this report, and the annual audited consolidated financial statements and other disclosures, was made known to them in a timely manner and reported as required and in providing reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer's IFRS. The CEO and CFO also concluded that no material weaknesses existed in the design of the ICFR.

The Corporation's management, including the CEO and CFO, believe that any DCP and ICFR, no matter how well designed, can have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance that the objectives of the control system are met.

RISK FACTORS

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

NON-IFRS MEASURES

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

In 2016 the Corporation commenced transitioning from the exploration and evaluation stage into a nickel, copper and gold producer. During 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.

	Period from 16 March 2016 to December 31, 2016
Nickel (in thousands of dollars except per tonne or per lb.)	
Tonnes of nickel mineralization processed	51,175
Production and toll-processing costs	$6,504
Royalty expense	$905
General and administration related to production	$779
Operating costs (related to tonnes processed) (CDN$)	$8,188
Average exchange rate (CDN$1 – US$)	0.76
Cash operating cost (US$)	$6,257
Cash operating cost (per tonne processed) (US$)	$122
Tonnes of nickel sold (payable)	1,289
Cash operating cost (US$)	$6,237
Cash operating cost (per tonne sold) (US$)	$4,854
Cash operating cost (per lb. sold) (US$)	$2.20

	Period from 16 March 2016 to December 31, 2016
Gold (in thousands of dollars except per tonne or per ounce)	
Tonnes of gold mineralization processed	351,458
Production and toll-processing costs[1]	$33,376
Royalty expense	4,189
General and administration related to production	765
Operating costs (related to tonnes processed) (CDN$)	$38,330
Average exchange rate (CDN$1 – US$)	0.76
Cash operating cost (US$)	$29,130
Cash operating cost (per tonne processed)	$83
Ounces of gold sold (payable)	20,958
Cash operating cost (US$)	$29,130
Cash operating cost (per ounce sold)	$1,390

1. Production and toll-processing costs for the three months ended December 31, 2016 excludes typical inventory adjustments of $4,322 as of December 31, 2016.

Gold cash cost per ounce after by-product credits

Although gold production has not yet reached commercial production, if gold revenue (presently capitalized together with gold costs) were treated as revenue, it would be the largest component of revenue. The Corporation computes gold cash costs per ounce before by-product credits by combining cash costs of both gold and nickel production to determine cash cost before by-product credits, then deducting nickel revenue from those costs.

	Period from 16 March 2016 to December 31, 2016
Gold cash cost per ounce after by-product credits (in thousands of dollars except per tonne or per ounce)	
Tonnes of gold mineralization processed	351,458
Cash cost, before by-product credits	
Production and toll-processing costs[1]	$39,880
Royalty expense	5,094
General and administration related to production	1,544
Cash cost, before by-product credits (related to tonnes processed) (CDN$)	$46,518
Total by-product credits, net of pre-production credits	$10,004
Cash cost, after by-product credits (related to tonnes processed) (CDN$)	$36,514
Average exchange rate (CDN$1 – US$)	0.76
Cash cost, after by-product credits (US$)	$27,904
Cash cost, after by-product credits (per tonne processed)	$79
Ounces of gold sold (payable)	20,958
Cash cost, after by-product credits (US$)	$27,904
Cash operating cost, after by-product credits (per ounce sold)	$1,331

[1] Production and toll-processing costs for the three months ended December 31, 2016 excludes typical inventory adjustments of $4,322 as of December 31, 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.

	Period from 16 March 2016 to December 31, 2016
Nickel (in thousands of dollars except per tonne or per lb.)	
Tonnes of nickel sold (payable)	1,289
Cash operating cost (US$)	$6,257
Sustaining capital expenditures (US$)	93
All-in sustaining cost (US$)	$6,350
All-in sustaining cost (per tonne sold) (US$)	$4,927
All-in sustaining cost (per lb sold) (US$)	$2.23
Gold (in thousands of dollars except per tonne or per ounce)	
Ounces of gold sold	20,958
Cash operating cost (US$)	$29,130
Sustaining capital expenditures (US$)	5,712
All-in sustaining cost (US$)	$34,842
All-in sustaining cost (per ounce sold) (US$)	$1,662

All-in Sustaining Cost

All-in sustaining cost represents cash operating cost net of by-product credits plus corporate general and administrative costs ("G&A") plus sustainable capital expenditures.

Gold (in thousands of dollars except per tonne or per ounce)	
Ounces of gold sold	20,958
Cash operating cost net of by-product credits (US$)	$27,904
Sustaining capital expenditures (US$)	5,805
All-in sustaining cost net of by-product credits (US$)	$33,709
All-in sustaining cost net of by-product credits (per ounce sold)(US$)	$1,608

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

	Period from April 27, 2016 to December 31, 2016
Copper (thousands of dollars except per tonne or per lb.)	
Tonnes of copper ore processed	93,546
Mining costs	$6,618
Transport	2,873
Milling costs	5,565
General and administration related to production	506
Operating costs, before by-product credits (CDN$)	$15,562
By-product credits	(1,924)
Operating costs, net of by-product credits (CDN$)	$13,637
Average exchange rate (CDN$1 – US$)	0.76
Cash operating cost (US$)	$10,399
Cash operating cost (per tonne processed) (US$)	$111
Tonnes of copper sold (payable)	3,358
Cash operating cost (US$)	$10,399
Cash operating cost (per tonne sold) (US$)	$3,097
Cash operating cost (per lb. sold) (US$)	$1.40

All-in Sustaining Cost

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

	Period from April 27, 2016 to December 31, 2016
Copper (in thousands of dollars except per tonne or per lb.)	
Tonnes of copper sold (payable)	3,358
Cash operating cost (US$)	$10,399
General and administration – corporate (US$)	549
Sustaining capital expenditures (US$)	103
All-in sustaining cost (US$)	$11,051
All-in sustaining cost (per tonne sold) (US$)	$3,291
All-in sustaining cost (per lb sold) (US$)	$1.49

Adjusted Loss for the Period

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

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

	Year Ended December 31,	
(in thousands of dollars)	**2016**	2015
Loss for the period – as reported	**$(28,617)**	$(5,616)
Non-cash impairments	**17,445**	
Net loss from gold operations capitalized	**(17,006)**	-
Acquisition costs	**2,650**	-
Change in fair value – senior secured facility	**4,111**	-
Accretion – senior secured facility	**1,049**	-
Accretion – contribution loan	**1,121**	-
Foreign exchange loss	**535**	-
Adjusted Loss for the Period	**$(18,712)**	$(5,042)
Weighted average number of shares	**216,931,186**	120,830,680
Adjusted Loss per share	**$(0.09)**	$(0.04)

Adjusted EBITDA and Adjusted EBITDA per share

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

EBITDA excludes the impact of financing activities, depreciation and amortization, and taxes, and therefore is not necessarily indicative of operating profit or cash flows from operating activities as determined under IFRS.

Other companies may calculate EBITDA differently. Adjusted EBITDA is a non-IFRS measure, which excludes the following from loss and comprehensive loss: deferred income tax expense (recovery); other expense (income), net; 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.

	Year ended December 31,	
(in thousands of dollars)	**2016**	2015
Loss for the period	**$(28,617)**	$(5,616)
Deferred income tax expense (recovery)	**474**	(86)
Other expenses, net	**4,842**	144
Non-cash share-based payments	**2,314**	574
Non-cash impairment charges	**17,445**	-
Depreciation and amortization	**6,155**	-
EBITDA	**$2,613**	$(4,984)
Pre-commercial (gold cost of sales in excess of gold revenue) gold revenue in excess of cost of sales	**(17,006)**	-
Depreciation and amortization on gold property plant and equipment	**7,210**	-
Acquisition costs	**2,650**	-
Adjusted EBITDA	**$(4,533)**	$(4,984)
Weighted average number of common shares	**216,931,186**	120,830,680
Adjusted EBITDA per share	**$(0.02)**	$(0.04)

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

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

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

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

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

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

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