



ROYAL NICKEL CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2014



Royal Nickel Corporation

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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 subsidiary ("**RNC**", "**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, 2014. This MD&A, dated February 27, 2015, 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, 2014 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 Canadian dollars.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" which may include, but is not limited to, statements with respect to targeted milestones to achieve development of the Dumont Nickel Project, 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 nickel, 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. Even with the completion of the positive feasibility study, there are no assurances that the Dumont Nickel Project will be placed into production. Factors that could affect the outcome include, among others: inability to raise the funds necessary to achieve the milestones or complete development; the actual results of development activities; project delays; general business, economic, competitive, political and social uncertainties; future prices of metals; availability of alternative nickel sources or substitutions; actual nickel 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 nickel prices; permitting and development consistent with Royal Nickel'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.



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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.

DESCRIPTION OF BUSINESS

Royal Nickel is a mineral resource company primarily focused on the acquisition, exploration, evaluation and development of mineral properties. The Corporation is currently considered to be in the exploration and evaluation stage and its current principal asset is the Dumont Nickel Project, strategically located in the established Abitibi mining camp, 25 kilometres northwest of Amos, Quebec, Canada. In addition to its Dumont Nickel Project the Corporation holds certain other properties, as set out below under “*Mineral Exploration Properties*”. The Corporation’s common shares and warrants are traded on the Toronto Stock Exchange (“**TSX**”) (TSX symbols RNX and RNX.WT).

Since acquiring the Dumont Nickel Project in 2007, Royal Nickel has undertaken an aggressive exploration and evaluation program to evaluate and develop the mineral resources. In detailed evaluation of the Dumont Nickel Project, Royal Nickel 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.

Feasibility Study

On June 17, 2013 the Corporation released the results of a bankable feasibility study (“**feasibility study**”) based on a startup scenario of production of 52,500 tonnes per day (“**tpd**”) with a subsequent expansion to production of 105,000 tpd in year five. A bankable feasibility study is a comprehensive analysis of a project’s economics (to an accuracy of +/- 15%) and is used by the banking industry for financing purposes. The results from the feasibility study demonstrate RNC’s potential to be among the top five nickel sulphide operations globally (by annual nickel production) and that the Dumont Nickel Project has the third largest nickel reserves in the world. Highlights of the feasibility study include:

- After tax net present value (“**NPV**”) of US\$1,137 million at a discount rate of 8% from commencement of construction;
- After tax internal rate of return (“**IRR**”) of 15.2%;



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- Simple payback period of 6.1 years;
- Initial capital expenditure estimate for the 52,500 tpd startup scenario of US\$1,191 million;
- Expansion from 52,500 tpd to 105,000 tpd in year five is estimated to require an additional US\$891 million investment;
- Initial nickel production of 73 million pounds (Mlbs) (33 kt) annually, expanding in year five to an annual average of 113 Mlbs (51 kt) for the remainder of the 20-year mine life and average production over the 33-year project life of 90 Mlbs (41kt) annually;
- C1 cash costs¹ of US\$4.01/lb (US\$8,840/t) during initial phase and US\$4.31/lb (US\$9,502/t) over 33-year life-of-project (low 2nd quartile of cash cost curve);
- Ore reserves of 1.2 billion tonnes at a 0.27% nickel grade containing 6.9 billion pounds of nickel to support a 33-year project life including 1.3 billion pounds of nickel in proven reserve;
- 1 million ounce PGE (platinum + palladium) reserve established;
- Estimated annual average of US\$427 million earnings before interest, taxes, depreciation and amortization and US\$238 million free cash flow over the 20-year mine life;
- Nickel price assumptions used: US\$9.00/lb. long term and US\$9.50, US\$10.00 and US\$10.50/lb. in 2015, 2016 and 2017 respectively.

Additional potential opportunities exist to improve the economics of the project that have not been included in the feasibility study at this time:

- **Alternate Downstream Processing Option:** The feasibility study economics assume selling nickel concentrate to a third party, but an alternate downstream processing option of producing nickel oxide or ferronickel could be utilized as well. This may improve the economics as a result of lower costs, more payable nickel and a larger customer base.
- **Trolley Assist – Mining Cost Improvements:** The feasibility study pit design allows for the potential to improve the overall mining costs for the Dumont Nickel Project by installing trolley assist during the expansion in year five and utilizing electricity to replace a portion of the diesel fuel consumed by trucks.
- **Iron Ore (Magnetite) Concentrate – Potential Additional By-product Credit:** The Dumont Nickel Project also has the potential to produce a 63.5% magnetite concentrate by-product that could be sold to steel producers to improve the revenue stream for the project.

All of these options will continue to be evaluated and may be included in the project at a later time if supported by the economics.

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

¹ C1 cash costs are defined as the cash cost incurred at each processing stage, from mining through to recoverable nickel delivered to the market, net of by-product credits.



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2014 AND RECENT HIGHLIGHTS

- On March 24, 2014, the Corporation reported that Tsingshan Holding Group (“Tsingshan”), a party with whom RNC entered a strategic alliance in March 2013, is currently constructing the world’s first integrated nickel pig iron (“NPI”) plant to utilize nickel sulphide concentrate as part of the stainless steel production process. The plant is expected to begin operation this year. This significant innovation represents the first time that nickel sulphide concentrate will be directly used to create stainless steel. This innovation offers significant potential benefits to the producers of suitable nickel sulphide concentrate feed including lower costs due to simpler processing compared to traditional smelting and refining, and greater flexibility for more potential partners and customers. This plant is also expected to be possibly capable of handling nickel sulphide concentrate anticipated to be produced from the Dumont Nickel Project.
- On April 2, 2014, the Corporation announced the publication of the Dumont Nickel Project’s Environmental and Social Impact Assessment (“**ESIA**”) by the Quebec Ministry of Sustainable Development, Environment, Wildlife and Parks through the agency of the Bureau d’audiences publiques sur l’environnement (“**BAPE**”). This is an important step in the permitting process. The BAPE’s public information and consultation processes were completed in May and June.
- On April 14, 2014, the Corporation announced it had gained exposure to the highly prospective Aer-Kidd nickel-copper-platinum group metals project (“**Aer-Kidd**”) in Sudbury through the acquisition of a 25% interest in Sudbury Platinum Corporation (“**SPC**”) for cash consideration of \$1.5 million.
- On May 29, 2014, the Corporation announced that it had awarded a contract to Ausenco Limited to begin detailed engineering on long lead equipment for the Dumont Nickel Project.
- On June 18, 2014, the Corporation announced that it had closed the transaction to acquire an approximate 56% interest in True North Nickel Inc. (“**TNN**”), a private company the main asset of which is a 100% interest in the West Raglan nickel sulphide project in Quebec (“**West Raglan**”).
- On July 11, 2014, the Corporation announced that it had closed its previously announced public offering of units (“**Units**”). Pursuant to the offering, RNC issued 8,340,000 Units at a price of \$0.60 per Unit for aggregate gross proceeds of \$5 million. 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 \$0.80 and entitles the holder thereof to acquire one common share of the Corporation on or before July 11, 2016.
- On July 17, 2014, the Corporation announced that the underwriters of its public offering of 8,340,000 Units that closed on July 11, 2014, had exercised their over-allotment option and have purchased an additional 1,251,000 Units at a purchase price of \$0.60 per Unit. The gross proceeds to RNC resulting from the exercise of the over-allotment option are \$0.75 million, for total gross proceeds from the offering of \$5.75 million.
- On July 29, 2014, the Corporation announced that the NI 43-101 compliant technical report for the West Raglan Project had been filed under RNC’s profile on SEDAR at www.sedar.com.
- On August 26, 2014, the Corporation announced that SPC had completed the purchase of a 100% interest in Aer-Kidd from CaNickel Mining Company Limited (“**CaNickel**”). The terms of the transaction were comprised of a cash settlement of \$1.25 million to CaNickel and termination of the underlying option agreement dated October 1, 2012.
- On September 25, 2014, the Corporation announced the publication of a report from the BAPE that concludes that the development of the Dumont Nickel Project is acceptable, provided adequate mitigation measures are implemented.



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- Work under a contract awarded to Ausenco to prepare engineering specifications and bid packages for procurement of long lead equipment was completed during the third quarter. The total cost of the equipment was largely in line with the feasibility study estimate. Final costs will be determined based on the equipment selected when long lead orders are placed. The long lead items represent most of the large equipment utilized in the mill and several key on-site infrastructure components such as the grinding mills, flotation cells, thickeners, filters and power transformers representing approximately 70% of the cost of equipment for the mill.
- On October 14, 2014, the Corporation announced that TNN, 100% owner of West Raglan, and SPC, 100% owner of Aer-Kidd, have successfully raised \$0.8 million and \$2.0 million, respectively. The financing completed by TNN was provided by its shareholders, RNC (as to 56%) and Dundee Resources Limited (as to 44%).
- On February 12, 2015, the Corporation was refunded \$1.0 million of its collateral investment as outlined below in the “*Liquidity and Capital Resources*” section.
- The Corporation incurred a net loss of \$10.0 million (\$0.10 per share) for the year ended December 31, 2014 compared to a net loss of \$6.7 million (\$0.07 per share) for the same period in 2013.

OPERATIONAL REVIEW

The Corporation’s primary objective continues to be the exploration and evaluation of its current principal property, the Dumont Nickel Project.

Dumont Nickel Project

During 2014, the Corporation continued its activities in support of the exploration and evaluation of the Dumont Nickel Project. The work program focused on supporting the permitting process and advancing the detailed engineering for long lead items.

The following were the major activities and accomplishments during the year ended December 31, 2014:

- **Detailed Engineering:** A contract was awarded to Ausenco in Q2 2014 to begin detailed engineering work on the long lead time items identified during the feasibility study. The scope of the work was to prepare the purchasing documents for tendering, bid analysis and recommendation for award. The scope also includes design of the 120kV substation and updating the project planning documents. The work was completed in the third quarter of 2014. The total cost of the equipment was largely in line with the feasibility study estimate. The long lead items represent most of the large equipment utilized in the mill and several key onsite infrastructure components such as the grinding mills, flotation cells, thickeners, filters and power transformers representing approximately 70% of the cost of equipment for the mill.
- **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 serves as a framework to govern the relationship between RNC and 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 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.



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- ***Environmental and Social Impact Assessment:*** The ESIA for the Dumont Nickel Project was published by the Quebec Ministry of Sustainable Development, Environment, Wildlife and Parks through the BAPE on April 1, 2014. The BAPE's public information and consultation processes were completed in May and June and on September 25, 2014, the BAPE published a report concluding that the development of the Dumont Nickel Project is acceptable, provided adequate mitigation measures are implemented. This is an important step in the permitting process. Analysis of the ESIA by provincial and federal authorities and exchanges between RNC and these authorities continue for the delivery of the main environmental permit.

Mineral Reserves and Resources – Dumont Nickel Project

The mineral reserves and resources for the Dumont Nickel Project shown below are extracted from the feasibility study technical report dated July 25, 2013, and filed under RNC's profile on SEDAR at www.sedar.com.

The tonnages and grades for the Mineral Reserve and Resource estimates are summarized in the tables below. The mineral resource estimate includes mineral reserves:



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Mineral Resources

Mineral Resource Statement*, Dumont Nickel Project, Quebec (SRK Consulting Canada, 30 April, 2013¹)

Resource Category	Quantity (kt)	Grade		Contained Nickel		Contained Cobalt	
		Ni (%)	Co (ppm)	(kt)	(Mlbs)	(kt)	(Mlbs)
Measured	372,100	0.28	112	1050	2,310	40	92
Indicated	1,293,500	0.26	106	3,380	7,441	140	302
Measured + Indicated	1,665,600	0.27	107	4,430	9,750	180	394
Inferred	499,800	0.26	101	1,300	2,862	50	112
Resource Category	Quantity (kt)	Grade		Contained Palladium		Contained Platinum	
		Pd (g/t)	Pt (g/t)	(koz)	(koz)	(koz)	(koz)
Measured	372,100	0.024	0.011	288		126	
Indicated	1,293,500	0.017	0.008	720		335	
Measured + Indicated	1,665,600	0.020	0.009	1,008		461	
Inferred	499,800	0.014	0.006	220		92	
Resource Category	Quantity (kt)	Grade		Contained Magnetite			
		Magnetite (%)		(kt)	(Mlbs)		
Measured	-	-		-	-		
Indicated	1,114,300	4.27		47,580	104,905		
Measured + Indicated	1,114,300	4.27		47,580	104,905		
Inferred	832,000	4.02		33,430	73,702		

Notes: 1. *Reported at a cut-off grade of 0.15% nickel inside conceptual pit shells optimized using nickel price of US\$9.00 per pound, average metallurgical and process recovery of 40%, processing and G&A costs of US\$6.30 per tonne milled, exchange rate of C\$1.00 equal US\$0.90, overall pit slope of 42° to 50° depending on the sector, and a production rate of 105 kt/d. Values of cobalt, palladium, platinum and magnetite are not considered in the cut-off grade calculation as they are byproducts of recovered nickel. All figures are rounded to reflect the relative accuracy of the estimates. Mineral resources are not mineral reserves and do not have demonstrated economic viability. The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce Mineral Reserves.

Mineral Reserves

Mineral Reserves Statement* (Snowden, 17 June 2013)¹

Category	Quantity (kt)	Grades				Contained Metal			
		Ni (%)	Co (ppm)	Pt (g/t)	Pd (g/t)	Ni (Mlb)	Co (Mlb)	Pt (koz)	Pd (koz)
Proven	179,600	0.32	114	0.013	0.029	1,274	45	77	166
Probable	999,000	0.26	106	0.008	0.017	5,667	233	250	550
Total	1,178,600	0.27	107	0.009	0.019	6,942	278	328	716

Notes: 1. *Reported at a cut-off grade of 0.15% nickel inside an engineered pit design based on a Lerchs-Grossmann (LG) optimized pit shell using a nickel price of US\$5.58 per pound (62% of the long-term forecast of US\$9.00 per pound), average metallurgical recovery of 43%, marginal processing and G&A costs of US\$6.30 per tonne milled, long-term exchange rate of C\$1.00 equal US\$0.90, overall pit slope of 42° to 50° depending on the sector, and a production rate of 105 kt/d. Mineral Reserves include mining losses of 0.28% and dilution of 0.49% that will be incurred at the bedrock overburden interface (which corresponds to mining losses of 1 metre and 2 metres of dilution along this contact). The Proven Reserves are based on Measured Resources included within run-of-mine (ROM) mill feed. Probable Reserves are based on Measured Resources included within stockpile mill feed plus Indicated Resources included in both ROM and stockpile mill feed. All figures are rounded to reflect the relative accuracy of the estimates.



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Technical Disclosure

Unless otherwise indicated, the Corporation has prepared the technical information in this MD&A ("**Technical Information**") based on information contained in the technical reports and news releases (collectively the "**Disclosure Documents**") available under Royal Nickel's company profile on SEDAR at www.sedar.com. Each Disclosure Document was prepared by or under the supervision of a qualified person (a "**Qualified Person**") as defined in NI 43-101. Readers are encouraged to review the full text of the Disclosure Documents which qualifies the Technical Information. Readers are advised that mineral resources that are not mineral reserves do not have demonstrated economic viability. The Disclosure Documents are each intended to be read as a whole, and sections should not be read or relied upon out of context. The Technical Information is subject to the assumptions and qualifications contained in the Disclosure Documents.

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.

Exploration Properties

West Raglan Property

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

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. Over \$50 million has been spent in exploration at West Raglan including the drilling of over 200 diamond drill holes. 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. TNN completed an airborne geophysical survey on the property in December 2014 and drill target planning is ongoing.

Marbridge Property

An airborne electromagnetic survey was conducted over the Marbridge property in January 2014. No high priority drill targets were identified by the airborne survey.

Jefmar Property

No significant work was completed by the Corporation on the Jefmar property during the year ended December 31, 2014.

For Jefmar property claim number 2116146 Lot 8, Range 6, La Motte township, Glen Eagle Resources Inc. ("**Glen Eagle**") reported completing no work for the period from September 9, 2013, to September 10, 2014, under an option and joint venture agreement that was finalized in April 2011 whereby Glen Eagle can earn a 70% interest in this claim. This brings the total spent on the property by Glen Eagle to approximately \$343,000. On September 1, 2013, the option period to complete \$450,000 worth of work as part of fulfilling the earn-in requirements on claim number 2116146 was extended to September 10, 2015.

As at the date of this MD&A, West Raglan is considered to have longer term potential. Geological and geophysical compilation and drill target development work, designed to develop a drilling program to be carried out during 2015 summer field season, are planned for West Raglan in 2015.

In the fourth quarter of 2014, the Corporation assessed its mineral property interests for impairment and the Corporation determined that the Marbridge and Jefmar properties were fully impaired as the Corporation



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considered that substantive exploration and evaluation expenditures were neither budgeted nor planned. Accordingly, at December 31, 2014, the Corporation recognized in profit or loss an impairment loss of \$1,455 for the Marbridge and Jefmar properties.

NICKEL INDUSTRY TRENDS

The average nickel price for 2014 was approximately 12% higher compared to 2013, despite ending the year at a record high for nickel inventories on the London Metals Exchange (LME). According to Wood Mackenzie, the rise in LME nickel inventories in 2014 is believed to be primarily the result of the transfer of previously "hidden" nickel stocks from Chinese warehouses to visible LME warehouse locations in the aftermath of new regulations introduced following the Qingdao metal stock financing irregularities in China. The Qingdao irregularities led many Chinese financial institutions to require that metal used as collateral in financing transactions be stored in recognized warehousing systems with public reporting of inventory levels. For nickel, this has meant a large inflow to the LME warehousing system. In contrast to the increased LME nickel inventories, the main driver for higher year-over-year nickel prices in 2014 has been a reduction in global mined nickel supply by over 25% in 2014 compared to 2013, according to CRU data, as a result of a ban on the export of unprocessed nickel ore from Indonesia (the Indonesian government began enforcing the ban on January 12, 2014), which was only partially offset by increased shipments of lower grade ore from the Philippines.

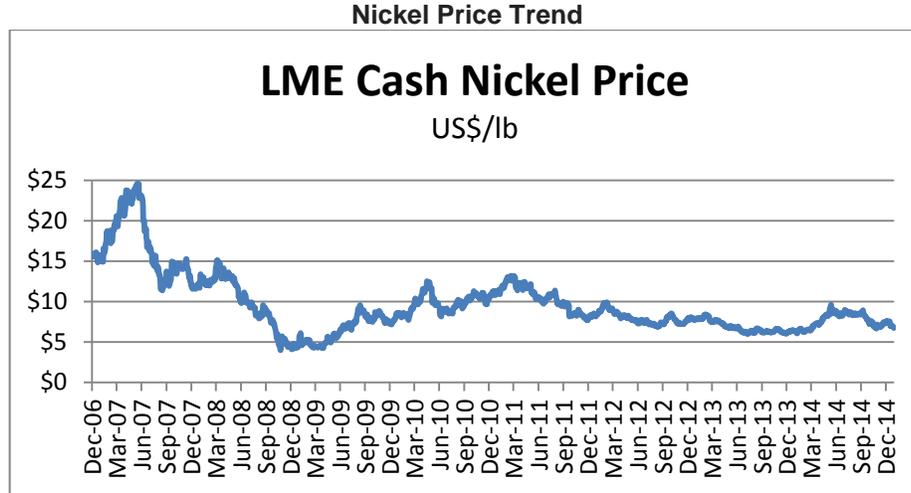
Global nickel demand remains healthy, driven by strong stainless steel consumption growth. Stainless steel accounts for over two-thirds of nickel demand and data from CRU shows stainless steel consumption increased by 7.5% during 2014 compared to 2013, driven by steady consumption growth in China and sustained demand recovery in the United States. Overall, year-over-year global nickel consumption increased by over 5% in 2014 compared to 2013 according to CRU data. RNC believes that, in the period from 2016 to 2020, the limited available supply of nickel will not be able to meet underlying demand and nickel prices will have to rise to force demand in line with supply, similar to the situation in 2006–2007 when nickel prices averaged approximately US\$14 per pound and reached highs of well over US\$20 per pound.

The dominant theme in the nickel market is the constraint in nickel supply due to a lack of suitable feed for China's nickel pig iron (NPI) industry, which accounted for approximately one quarter of global supply in 2013. After NPI supply in China continued to grow in 2013, driven largely by ore exports from Indonesia, supply has contracted as Indonesia is no longer an exporter of nickel ore as a result of the ban on exports of unprocessed nickel ore implemented on January 12, 2014. Chinese imports of Indonesian ore reached record levels in 2013, as Chinese consumers not only increased production, but stockpiled ore in advance of the Indonesian export ban. RNC believes that the Indonesian government will continue to strictly enforce the ban on unprocessed nickel ore exports resulting in a 25–30% reduction in world mined nickel supply and the potential for nickel shortages by the second half of 2015. The resolve of the Indonesian government to maintain and enforce a ban on raw material exports in an industry where they believe they have a competitive advantage is not without precedent. In 2002, the Indonesian government put in place a ban on tin concentrate exports which remains in effect today. The Indonesian government subsequently added additional restrictions to create additional tin processing in the country with the latest requirement taking effect in 2013 that all exports first be traded on the Indonesian Commodity and Derivatives Exchange (ICDX) and meet minimum purity standards.

The drop in investment in new nickel projects following the market peak in 2007 has left Dumont well positioned as one of the few large-scale projects with the potential to start production within the next few years.



Nickel Prices



Source: metalprices.com

Note: Nickel trades primarily on the LME and all references to nickel prices are based on trading on the LME.

Nickel began 2014 at US\$6.34 per pound, reached a high of US\$9.62 on May 13, 2014, a low of US\$6.06 on January 9, 2014, and finished 2014 at US\$6.77 per pound. Nickel prices averaged US\$7.65 per pound in 2014, compared to US\$6.81 in 2013. During 2014, LME inventories increased by approximately 58% (152 kilotonnes), to 413 kilotonnes which is a record level.

MINERAL EXPLORATION AND EVALUATION PROPERTIES

The current principal asset of the Corporation is the Dumont Nickel Project where a mineral reserve has been delineated. The Corporation has other exploration assets, consisting of (i) the Jefmar property; (ii) the Marbridge property; (iii) a 19% interest in SPC which holds a 100% interest in the mineral rights of the Aer-Kidd property and (iv) a 56% interest in TNN whose main asset is a 100% interest in the West Raglan property. It has not yet been determined whether these other properties contain an economic mineral reserve or resource.

The Dumont Nickel Project

The Dumont Nickel Project is located in the western portion of the province of Quebec. Specifically, the property is located in the Launay and Trecesson townships in the Abitibi region. The property is located approximately 25 kilometres west of the city of Amos, approximately 60 kilometres northeast of the industrial and mining city of Rouyn-Noranda and 70 kilometres northwest of the city of Val-d'Or.

The Dumont Property consists of 233 contiguous mineral claims totalling 9,306.5 hectares. The mineral resource is located mainly in Ranges V, VI and VII on Lots 46 to 62 of Launay township, and in Range V on Lots 1 to 3 of Trecesson township.

Mineral Tenure

The mineral properties comprising the Dumont Nickel Project are all mineral claims. RNC holds 100% beneficial interest in five claims. Beneficial interest in the remaining 228 claims is held 98% by RNC and 2% by Ressources Québec Inc., a subsidiary of Investissement Québec, and held under the terms of the agreement entered into by the Corporation and Ressources Québec Inc. on August 1, 2012.



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Underlying Agreements

The Dumont mineral claims are subject to various royalty agreements arising from terms of the property acquisitions by RNC or through the sale of royalties. The details of the underlying agreements are described below.

Marbaw Royalty

The Marbaw International Nickel Corporation ("**Marbaw**") property comprises an area totalling 2,639.0 hectares. This area originally consisted of 65 claims. Thirty-four of these claims were ground-staked claims that were converted to map-staked claims by the Quebec Ministry of Natural Resources ("**MNR**") in 2013.

This property was originally held by Marbaw, but a 100% interest in the claims was sold and transferred to RNC under an agreement dated March 8, 2007 for consideration that included future consideration.

Future consideration consisted of the following: (1) issuance of 7,000,000 shares in RNC to Marbaw upon the property being placed into commercial production or upon transfer of the property to a third party; (2) payment of \$1,250,000 to Marbaw on March 8, 2008. This amount has been paid by RNC.

RNC also committed to incurring a minimum expenditure of \$8,000,000 on the property prior to ceasing operations. This commitment was met in 2008. The Marbaw property is subject to a 3% NSR royalty payable to Marbaw. RNC has the right to buy back half of the 3% NSR royalty for \$10,000,000 at any time.

This property is subject to the Ressources Québec royalty and the Orion royalty.

Coyle-Roby Royalty

The Sheridan-Ferderber property comprises an area of 256.47 hectares corresponding to six historical contiguous ground-staked claims. The claims corresponding to the Sheridan-Ferderber property were converted to map staked claims by the MNR in 2013.

The property was originally held 50% by Terrence Coyle and 50% by Michel Roby, but it was optioned to Patrick Sheridan and Peter Ferderber under an agreement dated October 26, 2006. The option agreement was subsequently assigned to RNC through an agreement dated May 4, 2007.

RNC's option to acquire 100% interest in this property was exercised by the completion of \$75,000 in work on the property before October 26, 2008 and by paying \$10,000 to Coyle-Roby by October 26, 2007 and \$30,000 to Coyle-Roby by October 26, 2008. The claims were transferred 100% to RNC on August 25, 2008.

The property is subject to a 2% NSR royalty payable to Terrence Coyle (1%) and Michel Roby (1%). RNC has the right to buy back half of this 2% NSR royalty for \$1,000,000 at any time. An advance royalty of \$5,000 per year is also payable to Coyle-Roby beginning in 2011. Advance royalty payments up to and including October 2014 have been made.

These claims are also subject to the Ressources Québec royalty and the Orion royalty.

Frigon-Robert Royalty

The Frigon-Robert property comprises two contiguous claims totalling 83.84 hectares. The claims were originally held 50% by Jacques Frigon and 50% by Gérard Robert. They were transferred to RNC through a purchase agreement dated November 1, 2010.

The property is subject to a 2% NSR royalty payable to Jacques Frigon (1%) and Gérard Robert (1%). RNC has the right to buy back half of this 2% NSR royalty for \$1,000,000 at any time.

These claims are also subject to the Ressources Québec royalty and the Orion royalty.

Pershimco Claims (Pershimco Royalty)

The Pershimco mineral claim block comprises five claims totalling 195.64 hectares. The claims were originally held 100% by Pershimco Resources. They were transferred to RNC through a purchase agreement dated



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March 18, 2013 for \$30,000. These claims are subject to a 3% NSR royalty payable to Pershimco Resources. RNC has the option to buy back the NSR royalty in stages at any time by paying \$1,000,000 for the first percent, \$3,000,000 for the second percent and \$6,000,000 for the third percent. As these claims were acquired after the Ressources Québec agreement, they are not subject to the Ressources Québec royalty.

These claims are subject to the Orion royalty.

Ressources Québec Royalty

On August 1, 2012, RNC entered into an investment agreement with Ressources Québec. Pursuant to the agreement, RNC received \$12 million and Ressources Québec became entitled to receive 0.8% of the net smelter return from the sale of minerals produced from Dumont and acquired a 2% undivided co-ownership interest in the property. RNC has the right to repurchase, at any time after the fifth anniversary, all or any portion of Ressources Québec's interest for \$10 million for each 0.2% of the net smelter return, to a maximum consideration of \$40 million for the entire interest (including the 2% interest in the property). The Ressources Québec royalty applies to all Dumont claims except the five Pershimco claims that were acquired after the Ressources Québec agreement.

Orion Royalty

On May 10, 2013, RNC closed a royalty financing with RK Mine Finance Fund II (subsequently renamed Orion Mine Finance Fund 1). Under the terms of the financing, Orion (through 8248567 Canada Limited) acquired a 1% net smelter return royalty in the Dumont Nickel Project for a purchase price of US\$15 million. The Orion royalty applies to all Dumont claims.

Permits and Authorizations

Exploration work on public land ("Crown Land") is conducted under a forestry operational permit granted by the MNR and renewed periodically. Exploration work on agricultural zoned lands is conducted under a permit granted by the Quebec Agricultural Land Protection Commission (CPTAQ). Exploration work on private surface rights not owned by RNC is conducted under the terms of access agreements between RNC and individual land owners. Stream crossings have been constructed under permits issued variously or jointly by the MNR, CPTAQ and the Ministry of Sustainable Development, Environment and Parks. There are no known formal native land claims on the territory of the Dumont Nickel Project within the St. Lawrence drainage basin. Algonquin First Nations do, however, assert aboriginal rights over parts of western Quebec and eastern Ontario. Consultation with First Nations is a responsibility of the federal and provincial governments. Nonetheless, RNC has initiated discussions with the local Algonquin Conseil de la Première Nation Abitibiwinni and entered in April 2013 entered into a MOU for cooperation regarding the development of the Dumont Nickel Project.

Environmental Considerations

The Corporation is unaware of any outstanding environmental liabilities attached to the Dumont Nickel Project and is unable to comment on any remediation which may have been undertaken by previous companies. In order to limit environmental impact to one drainage basin, RNC has elected to contain feasibility study project infrastructure within the St. Lawrence drainage basin.

Mining Rights in Quebec

Under Quebec Mining Law, the holder of a claim has the exclusive right to explore for mineral substances (other than petroleum, natural gas and brine, sand, gravel and other surface substances) on the parcel of land subject to the claim. A claim has a term of two years. It may be renewed for additional periods of two years by completing minimum exploration work requirements and paying renewal fees. The holder of one or more claims may obtain a mining lease for the parcels of land subject to such claims, provided that the holder can prove the existence of a workable deposit on the property.

The mineral claims confer subsurface mineral rights only. Approximately 40% of the surface rights for the property are held privately by a number of owners, resident both in the area and outside the region. Of these privately held surface rights approximately 1,409 hectares are required for the development of the Dumont Nickel Project. To date, RNC has purchased or acquired options to purchase 100% of the private surface



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rights required for the development of the Dumont Nickel Project. The remainder of the surface rights are Crown Land.

A portion of the Dumont Nickel Project claims underlie surface rights that are classified as an agricultural zone within the meaning of the *Act respecting the preservation of agricultural land and agricultural activities*, RSQ, c P-41.1. Exclusion of these lands from the agricultural zone, which is required to conduct mining activity on these lands, has been granted by the CPTAQ. Exclusion of adjacent lands that form a buffer zone to the project is pending.

Use of surface rights for mining and associated activities under the terms of a mining lease is subject to environmental permitting and public consultation. Access to surface rights for private lands would be obtained by negotiating purchase thereof from private surface rights holders. Access to surface rights for Crown Land would be obtained through the mining lease process and crown land leases. Prior to commencing any mining, the operator of a mine or mill on the land subject to a lease must submit a rehabilitation and restoration plan for the site and deposit a financial guarantee. No compensation may be claimed by the holder of a mining claim from the holder of a mining lease for the depositing of tailings on the parcel of land that is subject to the claim. As a result of recent amendments to the Quebec mining act, granting of a mining lease by the Ministry of Natural Resources requires prior granting of the environmental certificate of authorization, public consultation conducted by the Bureau d'audiences publiques sur l'environnement (BAPE), approval of the mine site rehabilitation and restoration plan and submission of a scoping and market study on the processing of ore in Quebec.

Dumont Nickel Project 2015 Program and Estimated Expenditures

The current estimate for expenditures on the Dumont Nickel Project (\$2.5 million) and corporate expenditures (\$3.4 million) for 2015 is dependent upon additional financing as outlined in the "*Liquidity and Capital Resources*" section.

Marbridge Property

On April 22, 2009, the Corporation entered into an agreement (the "**Marbridge Agreement**") to acquire a 100% ownership interest in the Marbridge Property from Xstrata for a total cash consideration of \$1,000,000. On July 31, 2009, the Corporation completed the acquisition pursuant to the terms of the Marbridge Agreement and acquired a 100% interest in the Marbridge Property.

The Marbridge Property is located 60 kilometres by road southeast of the Dumont Nickel Project and 40 kilometres northwest of Val-d'Or, Quebec. The deposits are komatiite-hosted and lie within the broad La Motte ultramafic belt within the eastern Abitibi Greenstone Belt. The Marbridge Property comprises two mining concessions totalling 240 hectares in La Motte township.

The four deposits at the Marbridge Property were discovered by prospecting and surface drilling during the period 1957 to 1966. The deposits were previously operated under a joint venture between Falconbridge Nickel Mines and Marchant Mining that produced 702,366 tonnes of ore grading 2.28% nickel and 0.1% copper over a five year period between 1962 and 1968.

An airborne electromagnetic survey was conducted over the Marbridge property in January 2014. No high priority drill targets were identified by the airborne survey.

As at December 31, 2014, the carrying value of the property is \$Nil as it was fully impaired in 2014.

Jefmar Property

On March 26, 2008, the Corporation signed a formal property acquisition agreement (the "**Jefmar Agreement**") with Jefmar Inc. ("**Jefmar**") relating to the acquisition of a 100% interest in 14 mining claims totalling 586 hectares (the "**Jefmar Property**") in the La Motte and Figuery townships, in the province of Quebec.



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Pursuant to the terms of the Jefmar Agreement, the Corporation gave the following consideration for the acquisition of the Jefmar Property:

- a) Payment of \$70,000 to Jefmar;
- b) Issuance of 150,000 common shares to Jefmar; and
- c) A 2% NSR royalty granted to Jefmar. The Corporation has the right and option to buy back 1% of the NSR royalty for a price equal to \$1,000,000 with a minimum of 60 days prior written notice to Jefmar.

On September 10, 2010, the Corporation entered into a letter agreement with Glen Eagle on Jefmar property claim number 2116146 Lot 8, Range 6, La Motte township whereby Glen Eagle can earn 70% interest in this claim by completing exploration expenditures and making option payments to Royal Nickel over a three year period. The Option and Joint Venture agreement was finalized in April 2011. On September 1, 2013, the option period to complete \$450,000 in exploration expenditures was extended to September 10, 2015. Glen Eagle has completed a total of approximately \$343,000 in exploration expenditures to date, and has made the required option payment of \$10,000 by the extended due date of November 14, 2014, to keep the option in good standing. Glen Eagle has completed a NI 43-101 Preliminary Economic Assessment dated January 22, 2013, for a lithium deposit that occurs partly on claim 2116146. On September 11, 2014, Glen Eagle announced plans for a 2,000 metre drill program on the Authier Lithium project that includes claim 2116146.

In July 2013, five claims in the Jefmar claims group were allowed to expire as they were considered to have limited geological prospectivity for nickel and maintaining these claims was not consistent with RNC's strategic objectives.

As at December 31, 2014, the carrying value of the property is \$Nil as it was fully impaired in 2014.

Aer-Kidd Project

On April 14, 2014, RNC announced that it had gained exposure to the highly prospective Aer-Kidd project in Sudbury through the acquisition of an approximate 25% interest in SPC for cash consideration of \$1.5 million. SPC, a private subsidiary of Transition Metals Corp., holds a 100% interest in the mineral rights of the Aer-Kidd property.

Aer-Kidd is a 280 hectare property covering approximately 1.3 kilometres of the Worthington Offset (Worthington offset) Dyke located near Worthington, Ontario in the Sudbury Basin area. Past production on the Aer-Kidd property has come from numerous shallow underground and surface workings (Howland Pit, Rosen and Robinson Deposits). The Aer-Kidd property is located centrally between two significant known resources also on the Worthington offset, Vale's Totten mine and KGHM's Victoria project. At Aer-Kidd, there has not been any significant testing of mineralization at depth.

On October 14, 2014, SPC announced the completion of a private placement financing of \$2 million and the commencement of drilling at the Aer-Kidd property (this financing and a prior financing completed in August 2014, diluted RNC's interest in SPC down to 19%). The 2014-15 drill program will consist of 4,500 metres designed to test high-conductance electromagnetic targets identified on the Aer-Kidd property located beneath sites of historic past production at depths between 750–1,200 metres. Drilling is ongoing at year-end.

RNC's Investment in SPC

Under the terms of the investment, RNC acquired 6 million units of SPC ("**Unit**") at a price of \$0.25 per Unit representing total cash consideration of \$1.5 million. Each Unit consists of one (1) SPC common share ("**Common Share**") and one (1) SPC common share purchase warrant ("**Warrant**"). Each Warrant entitles the holder to acquire one (1) Common Share of SPC for a period of eighteen (18) months from the date of issue, at an exercise price of \$0.45 per share. Currently, SPC's main asset is a 100% interest in Aer-Kidd.

Additional Information:



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- Provided RNC holds at least a 10% equity position in SPC, RNC has a pre-emptive right to maintain its pro rata share position on all subsequent equity financings until October 14, 2015.
- Provided RNC holds more than 15% of the equity of SPC, it is entitled to appoint one director to the SPC board.

West Raglan Nickel Project

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.

A Net Smelter Royalty of 1.5% is payable to Anglo American Exploration (Canada) Ltd. for mineral production from the West Raglan Property. TNN has the right to repurchase one-third of the Royalty (or 0.5% of Net Smelter Returns) with respect to the Property for a price of \$2.0 million reducing the Royalty from 1.5% to 1% of the Net Smelter Returns from the Property. There are no other royalties, back-in rights, payments, or other agreements or encumbrances.

West Raglan is a mature nickel sulphide exploration project located in the west central portion 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.

Over \$50 million has been spent in exploration on the 400 square kilometre West Raglan property including the drilling of 229 diamond drill holes totaling over 43,541 metres. Seven zones of Ni-Cu-PGM sulphide mineralization have been found to date on the West Raglan property. One of these zones, the Frontier Zone, includes five key high-grade lens clusters. Highlights from Frontier Zone drilling include:

- Seahawk A: 28.28m grading 3.21% Ni, 1.32% Cu, 2.43g/t Pd and 0.65g/t Pt
- Frontier Central: 10.50m grading 2.78% Ni, 1.21% Cu, 2.78g/t Pd and 0.80g/t Pt.
- Frontier East: 7.62m grading 2.54% Ni, 1.42% Cu, 1.56g/t Pd and 0.39g/t Pt
- Frontier South: 20m grading 2.41% Ni, 0.92% Cu, 2.28g/t Pd and 0.66g/t Pt

These intersections occur in the same geological setting as the Raglan Mine in ultramafic intrusions and flows occurring stratigraphically below the Chukotat Group basalt. The mineralization is also very similar to the typical ores from the Raglan Mine, which is among the richest Ni-Cu-PGM mines in the world.

The technical report indicates significant potential to expand the lenses at the Frontier Zone based on the quality of the mineralization identified to date at surface and by drilling, the large volume of fertile ultramafic rocks, the numerous discrete electromagnetic conductors, the strong similarities with other published mineral deposits in the belt, and the fact that the deepest drill intercepts are less than 250 metres below surface, and strong potential has been identified in the next depth slice (250–400 metres).

Six other zones on the property, in addition to the Frontier Area, have good indications of prospectivity as illustrated by the presence of disseminated nickel sulphide mineralization in surface rock samples and in limited reconnaissance drilling.

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.

On October 14, 2014, TNN announced the completion of a \$0.8 million financing and the commencement of a helicopter-borne VTEM geophysical survey over portions of the West Raglan property. The survey will yield increased depth penetration to help define the depth extension of known mineralized lenses at West Raglan



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and generate new high-quality drilling targets for follow-up in the summer of 2015. This survey was completed in December 2014 and drill target planning is ongoing.

OUTLOOK

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

With the completion of the Corporation's economically and technically sound feasibility study for the Dumont Nickel Project in 2013, the focus for 2014 shifted to accelerating financing discussions with potential strategic or financial partners and the permitting process. Royal Nickel continues to work with its financial advisor, Rothschild, to arrange financing to fund all stages of the development of the Dumont Nickel Project. Royal Nickel continues active discussions for financing through a combination of strategic partnerships, joint venture arrangements, project debt finance, offtake financing, royalty financing and other capital markets alternatives. Royal Nickel believes it can successfully implement its corporate strategy because of its unique strengths, depth of management experience and well-developed relationships in the nickel industry. 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. During the first quarter of 2015, efforts and resources are being concentrated on arranging financing and the permitting process. Royal Nickel has the following targeted key milestones to achieve the development of the Dumont Nickel Project:

- Completion of partnership and financing arrangements;
- Receipt of main permit during the first quarter of 2015;
- Estimated construction schedule of 24 months post successful permitting, securing financing and completion of detailed engineering;
- Project commissioning is expected to begin in ten to eleven quarters after permits and financing are in place. Assuming permits and financing are in place by the end of the first quarter of 2015, commissioning is targeted to begin by the end of 2017, followed by production ramp-up in 2018.

The Corporation continues to evaluate the additional upside opportunities of alternative downstream processing, and is engaged in discussions with several parties about utilizing a roasted nickel concentrate as feed. In addition, trolley assist and the magnetite concentrate by-product have the potential to add additional value to the project. None of these potential upsides were included in the feasibility study in order to simplify the project and reduce implementation risk.

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

In addition to the work on the Dumont Nickel Project, 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.

**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, 2014, 2013, and 2012:
(expressed in thousands of dollars except per share amounts)

	2014	2013	2012
Net loss	(\$9,972)	(\$6,740)	(\$9,162)
Net loss per share (basic and diluted)	(\$0.10)	(\$0.07)	(\$0.10)
Mineral property interests	\$68,950	\$55,805	\$56,750
Total assets	\$80,292	\$74,837	\$79,047
Non-current financial liabilities – Finance lease	\$26	\$47	\$-

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, 2014, compared with year ended December 31, 2013**

The Corporation's net loss totalled \$10.0 million for the year ended December 31, 2014 (with basic and diluted loss per share of \$0.10). This compares with a net loss of \$6.7 million (with basic and diluted earnings per share of \$0.07) for the year ended December 31, 2013. The net loss increase of \$3.3 million is due primarily to higher general and administrative expenses (\$3.0 million) and mineral property interests impairment/write-down (\$1.3 million) partially offset by a lower deferred income tax expense (\$0.8 million) and gain on dilution of associate (\$0.2 million).

The increase in general and administrative expenses (\$3.0 million) is due primarily to an increase in the non-cash share-based payments expense (\$1.5 million), higher business development expenses (\$0.9 million), and higher investor relations expense (\$0.5 million). The increase in the non-cash share-based payments expense (\$1.5 million) is due primarily a higher vesting expense (\$0.9 million), primarily a grant of 4,399,500 share purchase options on April 16, 2014, 2,300,000 of which vested immediately, and higher mark-to-market expense for deferred share units ("DSUs"), restricted share units ("RSUs") and share appreciation rights ("SARs") (\$0.6 million). The increase in business development expenses (\$0.9 million) is due primarily to higher project financing advisory services (\$0.7 million) and higher travel expense (\$0.2 million). The increase in investor relations expense (\$0.5 million) is due to a resumption of more normal investor relations activity as nickel prices recovered, primarily higher investor communication advisory fees (\$0.3 million) and higher road show expenses (\$0.1 million).

The lower deferred income tax expense (\$0.8 million) is due primarily to lower deferred tax liabilities related to Quebec mining duties resulting from a change in the mix of expenditures incurred in the period and their characterization for Quebec mining duty purposes, partially offset by a reduction in the premium related to flow through shares recorded in the period as compared to the prior period.

**SUMMARY OF QUARTERLY RESULTS****Summary of Quarterly Results**

(expressed in thousands of dollars except per share amounts)

	2014				2013			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Loss attributable to RNC shareholders	\$(3,008)	\$(1,591)	\$(3,006) ¹	\$(2,305) ²	\$(1,592)	\$(1,433)	\$(1,932)	\$(1,783)
Basic and diluted loss per share attributable to RNC	\$(0.04)	\$(0.01)	\$(0.03)	\$(0.02)	\$(0.02)	\$(0.02)	\$(0.02)	\$(0.02)

1. The higher than normal loss for the quarter of \$3.0 million was due primarily to a higher non-cash share-based payments expense of \$1.3 million. The higher non-cash share-based payments expense is due primarily to a vesting expense of \$0.8 million and a mark-to-market expense for deferred share units, restricted share units and share appreciation rights of \$0.3 million.
2. The higher than normal loss for the quarter of \$2.3 million was due primarily to a higher non-cash share-based payments expense of \$0.6 million. The higher non-cash share-based payments expense is due primarily to a mark-to-market expense for deferred share units, restricted share units and share appreciation rights of \$0.5 million.

Three months ended December 31, 2014, compared with three months ended December 31, 2013

The Corporation's net loss totalled \$3.0 million for the three months ended December 31, 2014 (with basic and diluted loss per share of \$0.03). This compares with a net loss of \$1.6 million for the three months ended December 31, 2013 (with basic and diluted loss per share of \$0.02). The net loss increase of \$1.4 million is due primarily to higher mineral property interests write-down (\$1.3 million) and general and administrative expenses (\$1.1 million), partially offset by lower deferred income tax expense (\$0.5 million), a gain on dilution of associate (\$0.2 million), and unrealized gain on derivative financial instruments (\$0.2 million).

The increase in mineral property interests write-down/impairment (\$1.3 million) is due to write-down on the Marbridge Property (\$1.2 million) and the Jefmar Property (\$0.1 million). The increase in general and administrative expenses (\$1.1 million) is due primarily to higher salaries, wages and benefits (\$0.6 million), higher business development expenses (\$0.4 million), and higher professional fees (\$0.1 million). The increase in business development expenses (\$0.4 million) is due primarily to higher project financing advisory services (\$0.3 million) and higher travel expense (\$0.1 million). The increase in professional fees (\$0.1 million) is due primarily to higher legal fees.



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CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

	Three months ended December 31,		Year ended December 31,	
Sources and Uses of Cash (in thousands of dollars)	2014	2013	2014	2013
Cash used in operations prior to changes in working capital	\$(2,149)	\$(1,080)	\$(6,507)	\$(4,981)
Changes in non-cash working capital	441	(553)	(79)	(212)
Cash used in operating activities	(1,708)	(1,633)	(6,586)	(5,193)
Cash provided by (used in) investing activities	(1,731)	(1,341)	(7,924)	4,576
Cash provided by (used in) financing activities	330	(8)	5,545	1,765
Change in cash and cash equivalents	\$(3,109)	\$(2,982)	\$(8,965)	\$1,148

Operating Activities

For the three months ended December 31, 2014, cash used in operating activities, prior to changes in non-cash working capital, was \$2.1 million compared to \$1.1 million in the same period last year. The increase in cash used is due primarily to higher general and administrative cash expenditures as outlined above under the "Results of Operations" section. For the three months ended December 31, 2014, non-cash working capital increased by \$0.4 million compared to a decrease of \$0.6 million in the same period last year. The increase in non-cash working capital (\$1.0 million) is due primarily to an increase in accounts payable and accrued liabilities (\$1.1 million) and a decrease in amounts receivable, prepaids and deposits (\$0.2 million), offset by an increase in tax credit receivable (\$0.3 million). For the three months ended December 31, 2014, cash used in operating activities was \$1.7 million compared to cash used in operating activities of \$1.6 million for the three months ended December 31, 2013.

For the year ended December 31, 2014, cash used in operating activities, prior to changes in non-cash working capital, was \$6.5 million compared to \$5.0 million in the same period last year. The increase in cash used is due primarily to higher general and administrative cash expenditures as outlined above under the "Results of Operations" section. For the year ended December 31, 2014, non-cash working capital was an increase of \$0.1 million compared to an increase of \$0.2 million in the same period last year. The increase in non-cash working capital (\$0.1 million) is due primarily to an increase in accounts payable and accrued liabilities of (\$0.7 million) partially offset by an increase in tax credit receivable (\$0.3 million) and redemption of restricted share units (\$0.3 million). For the year ended December 31, 2014, cash used in operating activities was \$6.6 million, compared to cash used in operating activities of \$5.2 million for the year ended December 31, 2013.

Investing Activities

For the three months ended December 31, 2014, cash used in investing activities was \$1.7 million, which reflects net expenditures on mineral property interests. For the three months ended December 31, 2013, the total cash used in investing activities was \$1.3 million which reflects expenditures on mineral property interests.

For the year ended December 31, 2014, total cash used by investing activities was \$7.9 million, which primarily reflects expenditures on mineral property interests (\$7.7 million), a cash outlay for a collateral investment to secure an outstanding letter of credit issued to Hydro-Québec (\$2.0 million) as outlined below under the "Liquidity and Capital Resources" section and the acquisition of an equity interest in SPC (\$1.5 million) as outlined under the "Mineral Exploration Properties" section, partially offset by net tax credits



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received (\$3.3 million). For the year ended December 31, 2013, total cash provided by investing activities was \$4.6 million which primarily reflects net proceeds (\$14.5 million) received from the sale of the NSR royalty to Orion as outlined below under the “*Liquidity and Capital Resources*” section, net tax credits received (\$4.2 million), partially offset by expenditures on mineral property interests (\$12.2 million) and a cash outlay for a collateral investment to secure an outstanding letter of credit issued to Hydro-Québec (\$2.0 million).

Financing Activities

For the three months ended December 31, 2014, cash provided by financing activities was \$0.3 million, which primarily reflects proceeds received from a private placement (\$0.3 million) completed by the Corporation’s non-wholly owned subsidiary TNN. For the three months ended December 31, 2013, the only financing activity was minor principal payments on finance leases.

For the year ended December 31, 2014, cash provided by financing activities was \$5.6 million, which is due to net proceeds received from a public offering of common shares (\$5.0 million) and proceeds received from a private placement (\$0.6 million) completed by the Corporation’s non-wholly owned subsidiary TNN. For the year ended December 31, 2013, cash provided by financing activities was \$1.8 million, which reflects net proceeds (\$1.8 million) received from the March 7, 2013, flow-through share offering.

For the three months ended December 31, 2014, the net cash used in operating, investing and financing activities was \$3.1 million, compared to net cash used of \$3.0 million in the same period last year. For the year ended December 31, 2014, the net cash used operating, investing and financing activities was \$9.0 million compared to net cash provided of \$1.1 million in the same period last year.

The use of proceeds as at December 31, 2014 in comparison to the previously proposed use of proceeds of the Corporation’s July 2014 public offering are broken down as follows:

Use of Proceeds (in thousands of dollars)	Use of proceeds Short Form Prospectus Dated July 4, 2014	Actual use of proceeds December 31, 2014
Advancement of the Dumont Nickel Project	\$2,000	\$1,772
Advance detailed engineering to prepare engineering specifications and bid packages, commercial and technical evaluation and vendor negotiation for long lead equipment, as well as updating the overall project execution plan and schedule		
Advance permitting activities	1,000	932
- Environmental certificate of authorization		
- Mining lease		
General working capital purposes	1,354	1,650
	\$4,354	\$4,354



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Liquidity and Capital Resources

(in thousands of dollars)

	December 31, 2014	December 31, 2013
Cash and cash equivalents	\$2,943	\$11,908
Current portion of tax credits receivable	\$447	\$3,329
Working capital ¹	\$1,224	\$13,494
Collateral investment	\$4,000	\$2,000
Mineral property interests	\$68,950	\$55,805
Total assets	\$80,292	\$74,837
Shareholders' equity	\$66,550	\$62,618

1. Working capital is a measure of current assets less current liabilities.

The mineral exploration and evaluation properties in which the Corporation currently has an interest are in the exploration and evaluation stage and as a result the Corporation has no current source of operating income and is dependent on external financing to fund its continued exploration and evaluation program. Historically, the Corporation's principal sources of funding have been the issuance of equity securities for cash, the sale of NSR royalties, funds from the government of Quebec with respect to mining tax credits received based on eligible exploration expenditures, interest income and funds obtained from the exercise of stock options and warrants.

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

As at December 31, 2014, the Corporation had working capital of \$1.2 million compared to \$13.5 million as at December 31, 2013. The decrease in working capital as at December 31, 2014 reflects primarily the continued investment in the Dumont Nickel Project, a cash outlay for a collateral investment to secure an outstanding letter of credit issued to Hydro-Québec, the acquisition of an equity interest in SPC, and expenditures on general and administrative activities, partially offset by net proceeds received from a private placement by the Corporation's non-wholly owned subsidiary TNN. The working capital of the Corporation as at December 31, 2014 includes a current tax credit receivable from the Quebec government of \$0.4 million.

As at December 31, 2014 the Corporation had cash and cash equivalents of \$2.9 million. Management estimates that these funds will not be sufficient to advance the Dumont Nickel Project, meet obligations and cover 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 and development 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 for the Corporation or that they 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 chartered banks. In addition, amounts receivable are composed mainly of mining tax credits due from the Quebec government and sales tax receivables from government authorities in Canada.

The collateral investment of \$4.0 million as at December 31, 2014 relates to an agreement with Hydro-Québec, entered into on September 25, 2013, and amended on June 16, 2014 and October 17, 2014 for the construction of a high voltage power transmission line to connect the Corporation's planned Dumont Nickel Project to Hydro-Québec's existing electricity distribution network (the "Power Line Project"). The estimated cost of the work involved is \$25.6 million, which is required to be financed and secured by the Corporation via



the issuance of eight irrevocable letters of credit between September 2013 and January 2016. The Corporation made collateral investments of \$2.0 million each on August 29, 2013, and June 27, 2014, to secure two outstanding letters of credit that were issued to Hydro-Québec under the terms of the amended agreement. On October 17, 2014, the Corporation and Hydro-Québec also agreed to review the timing of the remaining letters of credit. Hydro-Québec is required to progressively release the letters of credit as the Corporation fulfills its power consumption commitment over a ten year commitment period once production commences. Under the agreement, the Corporation has the ability to suspend any additional work and postpone, up to 12 months, the issue date of all unissued letters of credit. The Corporation also has the ability under the agreement to abandon the Power Line Project and cancel its obligation to issue any additional letters of credit. On November 19, 2014, the Corporation suspended any additional work and requested Hydro-Québec to release some or all of the second letter of credit, which would entitle the Corporation to reduce its collateral investment by an equal amount. On February 11, 2015, the second letter of credit was reduced from \$2.0 million to \$1.0 million and on February 12, 2015 the Corporation received \$1.0 million of its collateral investment. Further details are provided in Note 18 to audited consolidated financial statements for the year ended December 31, 2014.

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,	
	2014	2013
Management salaries and benefits	\$1,670	\$1,564
Share-based payments – Management	600	428
Directors fees	380	356
Share-based payments – Directors	928	34
Mark-to-market adjustment for cash settled share-based payments	274	(464)
	\$3,852	\$1,918

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, 2014, is \$1.6 million.

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	\$47	\$21	\$26	\$-	\$-
Operating leases	612	399	213	-	-
Total contractual obligations	\$659	\$420	\$239	\$-	\$-



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In addition to the commitments in the table above, an annual advance royalty payable of \$5,000 per year commenced in October 2011 as discussed under the section “*The Dumont Nickel Project*”.

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

There are no proposed transactions of a material nature being considered by the Corporation. However, the Corporation continues to evaluate properties that it may acquire in the future. See “*Outlook*” above.

OUTSTANDING SHARE DATA

As at February 27, 2015, the Corporation had 109,771,542 common shares issued and outstanding.

As at February 27, 2015, the Corporation had the following securities outstanding, which are exercisable for common shares:

	Number of Securities	Weighted Average Exercise Price
Stock options	12,491,185	\$0.62
Warrants	5,705,354	\$0.98
Compensation warrants ¹	575,460	\$0.60

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

As at February 27, 2015, 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	1,346,343
Restricted share units	509,453

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, 2014.



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There were no changes to the accounting policies applied by the Corporation to each of the 2014 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, 2014.

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 the effectiveness of the Corporation’s DCP and ICFR as required by National Instrument 52-109 issued by the Canadian Securities Administrators. They concluded that as of December 31, 2014, 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.