



ROYAL NICKEL CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE MONTHS ENDED MARCH 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 ("**RNC**", "**Royal Nickel**" or the "**Corporation**") constitutes management's review of the factors that affected the Corporation's financial and operating performance for the three months ended March 31, 2014. This MD&A, dated May 8, 2014, is intended to supplement and complement the Corporation's unaudited condensed interim financial statements – prepared in accordance with International Financial Reporting Standards ("**IFRS**") applicable to the preparation of interim financial statements including IAS 34 Interim Financial Reporting – and related notes for the three months ended March 31, 2014, and should be read in conjunction with both the audited financial statements for the year ended December 31, 2013 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, 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, requirements for additional capital, management's belief that RNC will have sufficient funds to meet its obligations and planned expenditures for the ensuing 12 months, government regulation of mining operations, environmental risks, reclamation expenses, the success of mining operations, permitting, 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: the actual results of development activities; project delays; inability to raise the funds necessary to achieve the milestones or complete development; 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 and sole material property is the Dumont nickel project (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 are traded on the Toronto Stock Exchange (“**TSX**”) (TSX symbol **RNX**).

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.

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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FIRST QUARTER AND RECENT HIGHLIGHTS

- On February 11, 2014, the Corporation announced that Tyler Mitchelson, President and CEO, was leaving RNC in order to take a senior position with Anglo American Corporation but will remain as a Director of the Corporation. Effective immediately, Mark Selby, SVP Business Development at RNC since 2010, was appointed interim President and CEO.
- 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 and marks the beginning of the BAPE’s public information and consultation process.
- On April 14, 2014, the Corporation announced it had gained exposure to the highly prospective Aer-Kidd nickel-copper-platinum group metals project in Sudbury through the acquisition of a 25% interest in Sudbury Platinum Corporation (“SPC”) for cash consideration of \$1.5 million.
- The Corporation incurred a net loss of \$2.3 million (\$0.02 per share) for the three months ended March 31, 2014, compared to a net loss of \$1.8 million (\$0.02 per share) for the same period in 2013.

OPERATIONAL REVIEW

The Corporation’s immediate focus is to continue to fast track the development of its current principal property, the Dumont Nickel Project.

Dumont Nickel Project

During the first quarter of 2014, the Corporation continued its activities in support of the development of the Dumont Nickel Project. The work program focused on supporting and following up on the ESIA filing.

The following were the major activities and accomplishments during the first quarter of 2014:

- **Stakeholder Relations:** Negotiations continued with the Abitibiwinini 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 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 Abitibiwinini 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. This is an important step in the permitting process and marks the beginning of the BAPE's public information and consultation process.

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:

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)	
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 Magnetite (%)		Contained 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.



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Mineral Reserves

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

Category	(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.

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.

Jefmar and Marbridge Properties

An airborne electromagnetic survey was conducted over the Marbridge property in January 2014 and no significant work was completed by the Corporation on the Jefmar property during the three months ended March 31, 2014.

For Jefmar property claim number 2116146 Lot 8, Range 6, La Motte township, Glen Eagle Resources Inc. ("**Glen Eagle**") reported completing approximately \$62,000 of work for the period from September 9, 2012, to September 10, 2013, 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, both properties are considered to have longer term potential but, given the current focus on the Dumont Nickel Project, Royal Nickel will incur minor expenditures on both properties in 2014.



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NICKEL INDUSTRY TRENDS

Following a weak nickel price environment for most of 2013, the pricing trend for nickel has reversed and prices rose steadily through the first quarter of 2014, despite ending the first quarter near a record high for nickel inventories on the London Metals Exchange ("LME"). The main driver for the rebound in nickel prices is the looming reduction in nickel supply due to a ban on the export of unprocessed nickel ore from Indonesia (the Indonesian government began enforcing the ban on January 12, 2014), which is expected to reduce global mined nickel supply by approximately 25–30% going forward, based on Wood Mackenzie's estimate of Indonesia's 2013 output of mined nickel.

Global stainless steel consumption accounts for approximately two-thirds of nickel demand and initial data from Wood Mackenzie shows nickel consumption in this category has increased by roughly 6% in the first quarter of 2014 compared to the same period last year, driven mainly by increased demand outside China. Overall, year-over-year nickel consumption increased by approximately 3% in the first three months of 2014 compared to 2013. 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 expected rebound in global nickel demand outside of China is showing signs it may finally materialize during 2014 as the U.S. economy continues to show signs of recovery, the central bank in Japan continues aggressive moves to jumpstart its economy and the European economy appears in recovery.

The underlying constraint in nickel supply is 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 grew to record levels in 2013 driven largely by ore exports from Indonesia, supply is set to contract as Indonesia will no longer be an exporter of nickel ore as 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.

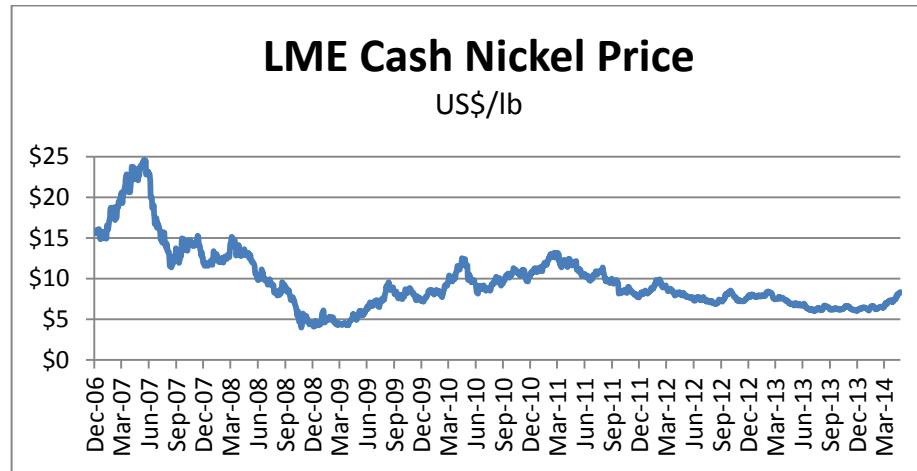
During 2013, the final set of large scale projects that were launched during the prior peak in nickel prices in 2007 began ramping up. These projects include: Koniambo, Xstrata Nickel's joint venture in New Caledonia, and Taganito, Sumitomo Metal Mining's project in the Philippines, which began production during the third quarter of 2013. Aside from these projects, 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.



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Nickel Prices

Nickel Price Trend



Source: metalprices.com

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

Nickel opened the first quarter of 2014 at US\$6.31 per pound, reached a high of US\$7.36 on March 25, 2014, a low of US\$6.06 on January 9, 2014, and finished the quarter at US\$7.14 per pound. Nickel prices averaged US\$6.64 per pound in the first quarter of 2014, compared to US\$7.85 in the same period of 2013. During the first quarter of 2014, LME nickel inventories increased by approximately 9% (23 kilotonnes) to 285 kilotonnes.

MINERAL EXPLORATION 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 and (ii) the Marbridge 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.

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.



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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 cash 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 Red Kite 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 due and owing have been made.

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



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These claims are subject to the Red Kite 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.

Red Kite Royalty

On May 10, 2013, RNC closed a royalty financing with Red Kite. Under the terms of the financing, Red Kite (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 Red Kite 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 Abitibiwinini and 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 approximately 1,344 hectares or 95% of the private surface rights required for the development of the Dumont Nickel Project and negotiations are in progress to purchase the remaining private surface rights. 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. Mining activity on these lands would require rezoning or exclusion of these lands from the agricultural



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zone by the CPTAQ. This exclusion must be requested by the local municipality. The application for exclusion must demonstrate that there are no suitable non-agricultural lands available for the stated purpose in the municipality. Royal Nickel does not expect that exclusion for the purpose of developing the Dumont Nickel Project would be unreasonably withheld. The application for exclusion was filed with the CPTAQ on February 20, 2013.

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 2014 Program and Estimated Expenditures

The current estimate for expenditures on the Dumont Nickel Project and corporate expenditures for 2014 is approximately \$9.5 million.

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. Results from this survey are being modeled in order to define potential drill targets.

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 September 10, 2013, anniversary date of the agreement 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.

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.

No significant expenditures by Royal Nickel are anticipated for the project for 2014.

Aer-Kidd Project

On April 14, 2014, RNC announced that it had gained exposure to the highly prospective Aer-Kidd nickel-copper-platinum group metals project in Sudbury through the acquisition of a 25% interest in Sudbury Platinum Corporation ("**SPC**") for cash consideration of \$1.5 million. SPC, a private subsidiary of Transition Metals Corp., holds an option to earn up to 70% 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

RNC's Investment in SPC

Under the terms of the investment, RNC has 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 an option to earn up to 70% interest in the Aer-Kidd property which is 100%-owned by Canickel Mining Company Limited.

Additional Information:

- Provided RNC holds at least a 10% equity position in SPC, RNC will have a pre-emptive right to maintain its pro rata share position on all subsequent equity financings for a period of 18 months from the closing of the financing.
- Provided RNC holds more than 15% of the equity of SPC, it is entitled to appoint one director to the SPC board.



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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 will continue to explore options 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. Following the completion of the feasibility study in 2013, efforts and resources in 2014 are being concentrated on the permitting process. As the focus of the work has changed and in order to conserve cash, in January 2014 management implemented a reduction in the workforce with remaining resources focused on the permitting process. Management believes that RNC has sufficient funds to meet its current obligations and planned expenditures into 2015.

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 second half of 2014;
- Estimated construction schedule of 22 months post successful permitting and securing financing;
- Assuming permits and financing in place by the end of 2014, project commissioning is targeted to begin in the second half of 2016 followed by production ramp-up.

The milestones reflect the best estimate of permitting timelines based on government review of the ESIA and public hearings. The actual commissioning date and production ramp-up would be approximately 22 months after these items are secured. RNC management continues to work diligently to push the development of the Dumont Nickel Project forward as quickly as possible.

The Corporation will also continue to evaluate the additional upside opportunities of alternative downstream processing, trolley assist and the magnetite concentrate by-product that have the potential to add additional value to the project but were not 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.



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RESULTS OF OPERATIONS

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

The Corporation's net loss totalled \$2.3 million for the three months ended March 31, 2014 (with basic and diluted loss per share of \$0.02). This compares with a net loss of \$1.8 million (with basic and diluted loss per share of \$0.02) for the three months ended March 31, 2013. The net loss increase of \$0.5 million is due primarily to higher general and administrative expenses (\$0.8 million) partially offset by a lower deferred income tax expense (\$0.3 million).

The increase in general and administrative expenses (\$0.8 million) is due primarily to a higher non-cash share-based payments expense (\$0.6 million) and severance costs (\$0.2 million) related to the reduction in the workforce in January 2014. The increase in the non-cash share-based payments expense (\$0.6 million) is due primarily to a mark-to-market expense for deferred share units ("DSUs"), restricted share units ("RSUs") and share appreciation rights ("SARs") (\$0.5 million) for the three months ended March 31, 2014, compared to a mark-to-market recovery (\$0.1 million) in the same period last year. The mark-to-market expense in the current period reflects an increase in the Corporation's share price from \$0.28 as at December 31, 2013, to \$0.47 as at March 31, 2014.

The lower deferred income tax expense (\$0.3 million) is due to lower deferred income tax liabilities (\$0.4 million) related to Quebec mining duties that were recorded in the current period as compared to the same period last year as a result of lower eligible expenditures having been incurred in the current period, partially offset by the amortization of the premium related to flow-through shares in the current period (\$nil) compared to the same period last year (\$0.1 million).

SUMMARY OF QUARTERLY RESULTS

Summary of Quarterly Results

(expressed in thousands of dollars except per share amounts)

	2014				2013			2012
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net loss	\$(2,305)¹	\$(1,592)	\$(1,433)	\$(1,932)	\$(1,783)	\$(1,611)	\$(2,948) ²	\$(2,097)
Net loss per share	\$(0.02)	\$(0.02)	\$(0.02)	\$(0.02)	\$(0.02)	\$(0.02)	\$(0.03)	\$(0.02)
Fully diluted net loss per share	\$(0.02)	\$(0.02)	\$(0.02)	\$(0.02)	\$(0.02)	\$(0.02)	\$(0.03)	\$(0.02)

1. 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.
2. The higher than normal loss for the quarter of \$2.9 million was due primarily to a higher deferred income tax expense of \$0.8 million and a higher non-cash share-based payments expense of \$0.5 million. The higher deferred income tax expense is due primarily to the amount of deferred income tax liability associated with Quebec mining duties. The higher non-cash share-based payments expense is due primarily to a mark-to-market expense for deferred share units and restricted share units of \$0.3 million.



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CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

	Three months ended March 31,	
Sources and Uses of Cash (in thousands of dollars)	2014	2013
Cash used in operations prior to changes in working capital	\$(1,575)	\$(1,347)
Changes in non-cash working capital	(217)	(132)
Cash used in operating activities	(1,792)	(1,479)
Cash used in investing activities	(397)	(3,669)
Cash provided by (used in) financing activities	(5)	1,797
Change in cash and cash equivalents	\$(2,194)	\$(3,351)

Operating Activities

For the three months ended March 31, 2014, cash used in operating activities, prior to changes in non-cash working capital, was \$1.6 million compared to \$1.4 million in the same period last year. The increase in cash used is due primarily to higher general and administrative cash expenditures as outlined above under the "Results of Operations" section. For the three months ended March 31, 2014, non-cash working capital increased by \$0.2 million compared to an increase of \$0.1 million in the same period last year. The increase in non-cash working capital (\$0.2 million) is due primarily to a decrease in the restricted share unit liability (\$0.3 million) resulting from the redemption of restricted share units for cash during the three months ended March 31, 2014. For the three months ended March 31, 2014, cash used in operating activities was \$1.8 million compared to cash used in operating activities of \$1.5 million for the three months ended March 31, 2013.

Investing Activities

For the three months ended March 31, 2014, cash used in investing activities was \$0.4 million, which reflects expenditures on mineral property interests (\$1.6 million), partially offset by tax credits received (\$1.2 million). For the three months ended March 31, 2013, the total cash used in investing activities was \$3.7 million which reflects expenditures on mineral property interests.

Financing Activities

For the three months ended March 31, 2014, the only financing activity was minor principal payments on finance leases. For the three months ended March 31, 2013, cash provided by financing activities was \$1.8 million, which reflects net proceeds of \$1.8 million from the March 7, 2013 flow-through share offering.

For the three months ended March 31, 2014, the net cash used in operating, investing and financing activities was \$2.2 million, compared to net cash used of \$3.4 million in the same period last year.



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Liquidity and Capital Resources

(in thousands of dollars)

	March 31, 2014	December 31, 2013
Cash and cash equivalents	\$9,714	\$11,908
Current portion of tax credits receivable	\$2,105	\$3,329
Working capital ¹	\$10,180	\$13,494
Collateral investment	\$2,000	\$2,000
Mineral property interests	\$56,991	\$55,805
Total assets	\$72,812	\$74,837
Shareholders' equity	\$60,429	\$62,618

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

The mineral exploration 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 continue operations and fund its exploration, evaluation and development activities. 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.

As at March 31, 2014, the Corporation had working capital of \$10.2 million compared to \$13.5 million as at December 31, 2013. The decrease in working capital as at March 31, 2014, reflects primarily the continued investment in the Dumont Nickel Project and expenditures on general and administrative activities. The working capital of the Corporation as at March 31, 2014, includes a current tax credit receivable from the Quebec government of \$2.1 million. Uncertainties exist with respect to the interpretation of tax regulations, including the determination of which mining exploration expenditures are eligible for refundable tax credits, and the amount and timing of collection. The determination of whether expenditures qualify for exploration tax credits requires significant judgment involving complex technical matters that make the ultimate tax collection uncertain. As a result, there may be material differences between the actual tax credits received following final resolution of these interpretation matters with the relevant tax authority and the recorded amount of tax credits.

As at March 31, 2014, the Corporation had cash and cash equivalents of \$9.7 million. Management believes that the Corporation has sufficient funds to meet its obligations and planned expenditures for the ensuing 12 months as they fall due. However, to meet the long term business plans of developing the Dumont Nickel Project, which is a key component of the Corporation's financial success, the Corporation will need to raise additional capital in order to fund, amongst other things, the issuance of additional letters of credit to Hydro-Québec, additional engineering studies, deposits on long-lead mine equipment and construction. These future funding requirements may be met in a number of ways including, but not limited to, a combination of strategic partnerships, joint venture arrangements, project debt finance, offtake financing, royalty financing and other capital markets alternatives. 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. 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 \$2.0 million as at March 31, 2014, relates to an agreement with Hydro-Québec, entered into on September 25, 2013, 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



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financed and secured by the Corporation via the issuance of eight irrevocable letters of credit between September 2013 and January 2016. On September 10, 2013, the Corporation issued a \$2.0 million letter of credit, for which a collateral investment of \$2.0 million was made to secure the outstanding letter 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. Further details are provided in Note 11 to the March 31, 2014, unaudited condensed interim financial statements.

CONTRACTUAL COMMITMENTS

Payments due by period					
(in thousands of dollars)	Total	Less than 1 year	1–3 years	4–5 years	After 5 years
Finance leases	\$21	\$21	\$-	\$-	\$-
Operating leases	984	451	533	-	-
Total contractual obligations	\$1,005	\$472	\$533	\$-	\$-

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 May 8, 2014, the Corporation had 94,412,311 common shares issued and outstanding.

As at May 8, 2014, the Corporation had the following securities outstanding, which are exercisable for common shares:

	Number of Securities	Weighted Average Exercise Price
Stock options	8,866,000	\$0.66



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As at May 8, 2014, 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	728,302

Under the agreement dated March 8, 2007, pursuant to which Royal Nickel acquired a 100% interest in the Marbaw Mineral Claims, the Corporation is required to issue 7,000,000 common shares in RNC to Marbaw upon the property being placed into commercial production or upon transfer (including through a merger, consolidation or asset purchase) of the property to a third party.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate disclosure controls and procedures and internal controls over financial reporting. Any system of disclosure controls and procedures and internal controls over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. There have been no changes in the Corporation's internal controls over financial reporting during the quarter ended March 31, 2014, that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies applied by the Corporation in the unaudited condensed interim financial statements for the three months ended March 31, 2014, are consistent with those applied by the Corporation in the audited financial statements for the year ended December 31, 2013, except for the change in accounting policies outlined in Note 2 to the March 31, 2014, unaudited condensed interim financial statements.

RISK FACTORS

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