

Agrees to acquire a 67% interest in Salt Lake Mining and 100% interest in VMS Ventures, creating the TSX's newest base and precious metals producer

RNC will host a call/webcast today at 10:00 a.m. (Eastern Time) to discuss the transactions and the nickel market. North American callers please dial: 1-888-231-8191, international callers please dial: (+1) 647-427-7450. For the webcast of this event click [here] (replay access information below)

TORONTO, Feb. 1, 2016 /CNW/ - Royal Nickel Corporation ("RNC") (TSX: RNX) announces two acquisitions that will transform the Company into a cash generating low-cost nickel, copper and gold producer.

**Salt Lake Mining:** RNC has agreed to acquire a 67% interest in Salt Lake Mining Pty Ltd. ("SLM") in exchange for 32.5 million RNC common shares and CDN\$2.5 million in cash (subject to certain conditions). SLM is a private company whose main asset is a 100% interest in the Beta Hunt Mine, a low-cost nickel and gold producer located in the prolific Kambalda mining district of Australia. Beta Hunt resumed nickel production in 2014 and gold production at the end of 2015.

**VMS Ventures:** RNC has also entered into a definitive agreement ("Agreement") pursuant to which RNC will acquire all of the issued and outstanding common shares of [VMS Ventures Inc.](#) ("VMS") by way of a plan of arrangement. Under the terms of the Agreement, VMS shareholders will receive 36.0 million RNC common shares, approximately CDN\$3.5 million cash, and the payment of a dividend in-kind of approximately 29.98 million North American Nickel ("NAN") common shares currently held by VMS. Upon closing of the transaction VMS shareholders will receive consideration representing a value of CDN\$0.081 for each VMS common share based on the 20-day volume-weighted average price ("VWAP") of RNC on the TSX and each of VMS and NAN on the TSX-V as at January 29, 2016. The offer represents a premium of approximately 39.3% to VMS' VWAP. VMS is a public company whose main asset is a 30% interest in the Reed Mine, a fully ramped-up copper producer, located in the Flin Flon/Snow Lake greenstone belt in central Manitoba. [HudBay Minerals Inc.](#) ("Hudbay") owns the other 70% interest in the Reed Mine and is the operator. The transaction will be implemented by way of a plan of arrangement under section 288 of the Business Corporations Act (British Columbia).

"The RNC Board fully supports Mark Selby and his team in our strategy to make RNC a multi-asset, cash-flow generating base metals producer. We believe that our strategy to add quality assets at this point in the commodity cycle offers great value to our shareholders. The Board, Mark and his team continue to be focused on advancing our Dumont nickel project. We continue to believe this is the most exciting nickel development project in the market and will be required to help meet an emerging nickel market shortage in the next few years. We will also evaluate every opportunity to build RNC and put it in a strong position, as we emerge from the current conditions we face in the metals industry, as a growing Canadian-based mining company" said Scott Hand, Executive Chairman of RNC.

#### Highlights of the Transactions:

- **Transformational:** Immediately transforms RNC into a nickel, copper and gold producer, consistent with strategy to become multi-asset mining company
- **Quality Producing Assets:** Beta Hunt and Reed mines are cash generating mines in excellent mining jurisdictions and are among the highest grade nickel and copper mines the world
- **Strong Operating Teams:** Both Beta Hunt and Reed mines have existing strong operating teams that will remain intact following the transactions
- **Diversification:** The combined assets of SLM and VMS with RNC's existing assets will create a diversified, multi-asset mining company with a strong footprint in key established mining camps in Canada and Australia
- **Platform for Growth:** The combined assets will provide a platform for further growth either organically or by opportunistic acquisitions

"The acquisition of SLM and VMS will provide RNC with cash generating operations, leveraged exposure to nickel, gold and copper production, and serves as a platform for potential growth in two promising and prolific metals producing regions in excellent mining jurisdictions," said Mark Selby, President and CEO of RNC. "With the addition of the SLM and VMS assets, RNC will benefit from exposure to current nickel, gold and copper production, RNC's large scale, shovel ready, Dumont Nickel Project, management synergies, and a pipeline of compelling nickel, copper and gold exploration projects."

In 2015, these two operations produced (recovered metal, 100% basis for Beta Hunt and 30% basis for Reed) approximately 4.0 kt of nickel, 4.0 kt of copper and 3.3koz of gold.

In 2016, production from these two operations (100% basis for Beta Hunt and 30% basis for Reed) is expected to be approximately 3.5 &ndash; 4.5 kt of nickel, 4.0 &ndash; 4.5 kt of copper, and 35 - 45 koz of gold as production at Beta Hunt ramps up during 2016. At the Beta Hunt Mine, 2016 nickel net C1 cash costs are expected to be negative &ndash; more detailed guidance is provided below.

Salt Lake Mining Acquisition

SLM Transaction Summary

Subject to certain conditions, RNC will acquire a 67% interest in SLM for 32.5 million RNC common shares and an injection of CDN\$2.5 million into the company. The SLM stake will be acquired in two stages:

- On today's date, RNC invested CDN\$2.5 million in cash in exchange for 20% of SLM; and
- RNC will acquire a further 47% of SLM from its current shareholders in exchange for 32.5 million RNC common shares. This transaction, which is expected to close by early March, remains subject to regulatory approval, a shareholder pre-emption process and other customary closing conditions.

#### Highlights of the SLM Transaction:

- Cash Flow Positive: Beta Hunt Mine was cash flow positive during 2<sup>nd</sup> half 2015 on an operating basis despite low nickel prices
- Consolidation of nickel and gold rights: SLM has consolidated nickel and gold rights at Beta Hunt, creating significant value as gold production ramps up, leveraging existing mining infrastructure
- Low-Cost: On a by-product basis, 2016 C1 cash costs are expected to be negative: between \$0 and negative US\$1/lb of nickel. On a co-product basis, 2016 all in sustaining costs are expected to be between US\$3.75 - \$4.25/lb of nickel and US\$800 &ndash; \$900/oz of gold
- Upside Potential: Additions to existing nickel and gold resource at Beta Hunt is possible from exploration drilling along strike and parallel nickel and gold lode targets to known mineralization
- Synergy potential: Testwork on Beta Hunt sulphide nickel mineralization expected to further validate roasted concentrate concept developed for RNC's Dumont project to lower production costs and increase payabilities

#### Beta Hunt Mine Overview

The Beta Hunt Mine, located 600 km from Perth in Kambalda, Western Australia, is a deposit with the very rare feature of hosting both nickel and gold resources in adjacent discrete mineralized zones. The mining tenements on which the Beta Hunt Mine is located are held by [Gold Fields Ltd.](#) SLM operates the Beta Hunt Mine by virtue of a sub-lease agreement with [Gold Fields Ltd.](#)

The consolidation of nickel and gold rights in 2013 by SLM has significantly improved the value proposition at Beta Hunt. The combination of high grade nickel mineralization and low cost gold production are expected to transform Beta Hunt into a nickel operation with first quartile cash costs while allowing significant operational flexibility should the current nickel price environment persist.

The Kambalda mining district in Western Australia is a long-established major mining centre with excellent existing infrastructure, a skilled local workforce, and nickel and gold processing mills nearby. Beta Hunt was originally a core WMC (Western Mining Co) asset discovered in 1966, producing 153,500 tonnes of nickel metal up to 1998. It was sold to [Gold Fields Ltd.](#) in 2001. In 2003, Reliance Mining acquired nickel rights for A\$11.7M, developed an operation, and was acquired by Consolidated Minerals for A\$76.5M in 2005. Consolidated Minerals placed the mine on care and maintenance at the end of 2008.

The Beta Hunt Mine was acquired by SLM in 2013 for A\$10M after securing gold mining rights from [Gold Fields Ltd.](#) The mine began producing nickel in 2014 and began gold production in November 2015. Gold production is planned to be ramped up during 2016.

Beta Hunt currently has JORC 2012 Code compliant nickel and gold mineral resource estimates, plus exploration upside potential.

#### Consolidation of Nickel and Gold Rights: Significant Gold By-product Potential

The Beta Hunt Mine is part of a multi-million ounce regional gold mineralization system and possesses significant gold by-product potential. Gold mineralization bodies are accessible from the main nickel decline, effectively leveraging existing infrastructure.

RNC has received the results of the preliminary economic assessment ("PEA") for Beta Hunt, prepared as a NI 43-101 compliant technical report which will be filed under RNC's profile on SEDAR at [www.sedar.com](#) within 45 days. Under the Beta Hunt mine plan to be outlined in the technical report, gold from the A zone is initially mined in parallel with nickel, ramping up to targeted sustained annual production in excess of 45 koz of gold when mining in the Western Flanks zone begins in the second half of 2016. SLM conducted a significant underground drilling program in 2014 that identified multiple zones, open at depth and along strike to the north, including the Western Flanks deposit. There remains significant potential for additional parallel lodes to the west of Western Flanks.

#### Exploration Opportunities

The SLM land package includes significant exploration opportunities at Beta Hunt and in the region to continue to add to the SLM

resources alongside production.

Beta Hunt Mine (100% Basis) 2016 Operating Guidance<sup>1,2,3,4</sup>

Beta Hunt Mine (US\$)	Units	2 <sup>nd</sup> half-2015	2016 Guidance
Nickel in Concentrate	kt	2.1	3.5 &ndash; 4.5 8 &ndash; 10
	Mlbs	4.6	
Gold Production	000 ounces	2.2	35 - 45
C1 Cash Costs (gold by-product basis)	\$/lb	\$3.50	\$(1.00) &ndash; \$0
	\$/tonne	\$7,700	\$(2,200) &ndash; \$0
Nickel Co-product AISC Cash Costs	\$/lb	\$4.90	\$3.75 &ndash; \$4.25
	\$/tonne	\$10,800	\$8,270 &ndash; \$9,370
Gold Co-product AISC Cash Costs	\$/ounce	N/A	\$800 &ndash; \$900
Sustaining Capex (includes gold mine development)	\$M	\$1	\$6 &ndash; 8

1. Cash operating costs and cash operating cost per tonne sold are non-IFRS measures. In the nickel mining industry, cash operating costs and cash operating costs per tonne are common performance measures but do not have any standardized meaning. Cash operating costs are derived from amounts included in the Consolidated Statements of Comprehensive Income (Loss) and include mine site operating costs such as mining, processing and administration as well as royalty expenses, but exclude depreciation, depletion and share-based payment expenses and reclamation costs. Cash operating costs per tonne are based on tonnes sold and are calculated by dividing cash operating costs by commercial nickel tonnes sold; US\$ cash operating costs per tonne sold. SLM prepares this information as it believes the measures provide valuable assistance to investors and analysts in its operational performance and ability to generate cash flow. The most directly comparable measure prepared in accordance with IFRS is total production costs.
2. All-in sustaining costs and all-in sustaining cost per tonne sold are non-IFRS measures. These measures are intended to assist readers in evaluating the total costs of producing nickel from current operations. SLM defines all-in sustaining costs as the sum of production costs, sustaining capital (capital required to maintain current operations at existing levels), corporate general and administrative expenses, in-mine exploration expenses and reclamation cost accretion related to current operations. All-in sustaining costs exclude growth capital, growth exploration expenses, reclamation cost accretion not related to current operations, interest and other financing costs and taxes. The most directly comparable measure prepared in accordance with IFRS is total production costs.
3. Key 2016 assumptions: nickel price \$4.08/lb, gold price \$1,080/oz and 1.43 \$US = 1\$AUD
4. The technical information in this table has been prepared in accordance with Canadian regulatory requirements by, or under the supervision of David Penswick, P.Eng.

## Geology

The Beta Hunt mine is situated within the central portion of the Norseman-Wiluna greenstone belt in a sequence of mafic/ultramafic and felsic rocks on the southwest flank of the Kambalda Dome. Nickel mineralization is hosted mainly by talc-carbonate and serpentine altered ultramafic rocks and is typically pyrrhotite-pentlandite-pyrite+ chalcopyrite. Gold mineralization occurs mainly in the Lunnon Basalt, which is the footwall to the nickel-bearing ultramafics, and is characterised by intense albite, carbonate and chlorite alteration, with a halo of biotite/pyrite alteration.

## Mining

SLM initially employed a contractor who used the same mechanized methods as previous owners to mine nickel. However this resulted in low productivity and significant dilution for the high grade, narrow vein and relatively flat-lying deposit. At the start of 2015, SLM transitioned to an owner-operation using conventional methods and has since experienced considerably improved results. The steady-state production rate of 450 tonnes/day was achieved by H2 2015.

Gold mineralization occurs in wider and more steeply dipping veins that are amenable to mechanized methods. Production in the

last two months of 2015 averaged 450 tonnes/day and is steadily ramping up to target by H2 2016.

## Milling

All processing is conducted under tolling contracts with local processing plants.

Nickel mineralization is trucked 3km to the [BHP Billiton Ltd.](#) (BHPB) concentrator in Kambalda. Concentrate is treated at the BHPB Kalgoorlie smelter.

Gold mineralization is trucked approximately 15km to the St Ives Gold Fields concentrator.

Cautionary Statement: The decision by SLM to produce at the Beta Hunt mine was not based on a feasibility study of mineral reserves, demonstrating economic and technical viability, and, as a result, there may be an increased uncertainty of achieving any particular level of recovery of minerals or the cost of such recovery, including increased risks associated with developing a commercially mineable deposit. Historically, such projects have a much higher risk of economic and technical failure. There is no guarantee that that anticipated production costs will be achieved. Failure to achieve the anticipated production costs would have a material adverse impact on SLM's cash flow and future profitability. It is further cautioned that the PEA is preliminary in nature. No mining feasibility study has been completed on Beta Hunt. Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that the PEA will be realized.

Table 1 Beta Hunt Nickel Mineral Resources as at 1st May 2015<sup>1,2,3,5</sup>

Nickel	Classification	Inventory	Grade	Contained Metal
		(kt)	(Ni %)	Nickel Tonnes (NiTs)
>=1% Ni	Measured	113	4.9	5,550
	Indicated	323	4.2	13,620
	Total	436	4.4	19,170
	Inferred	221	3.4	7,570

Table 2 Beta Hunt Gold Mineral Resources as at 1st May 2015<sup>1,2,4,5</sup>

Gold	Classification	Inventory	Grade	Contained Metal
		(kt)	(Au g/t)	(Ounces)
>=2 g/t Au	Measured	0	0.0	0
	Indicated	1,095	3.7	131,000
	Total	1,095	3.7	131,000
	Inferred	2,287	3.3	245,000

1. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources estimated will be converted into Mineral Reserves.
2. The Mineral Resource estimates include Inferred Mineral Resources that are normally considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as Mineral Reserves. There is also no certainty that Inferred Mineral Resources will be converted to Measured and Indicated categories through further drilling, or into Mineral Reserves once economic considerations are applied. Mineral resource tonnage and contained metal have been rounded to reflect the accuracy of the estimate, and numbers may not add due to rounding
3. Nickel Mineral Resources are reported using a 1% Ni cut-off grade
4. Gold Mineral Resources are reported using a 2 g/t Au cut-off grade
5. Mineral Resources described here has been prepared by Elizabeth Haren, MAusIMM CPGeo, of Haren Consulting Pty Ltd. and will be fully documented in the publishing of a Canadian National Instrument (NI 43-101) compliant Technical Report to be filed by RNC within 45 days

#### Financing and Royalties

Existing royalty obligations for SLM at Beta Hunt are (i) Consolidated Minerals, 3% (at a nickel price under A\$17,500/t) or 5% (at a nickel price of A\$17,500 or greater) until total royalty payments reach A\$16 million; (ii) Western Australian state government, 2.5% in respect of gold and nickel; (iii) St Ives Gold Mining Company Pty Limited, 1% in respect of nickel and 6% in respect of gold; and (iv) Resource Income Fund LP, 0.5% in respect of nickel and 1.5% in respect of gold.

SLM has in place a senior secured metal prepay agreement with LRC-SLM L.P., a wholly owned special purpose vehicle of Lascaux Resource Capital Fund I L.P. under which SLM is required to deliver a remaining total of 1,308 tonnes of nickel and 4,800 ounces of gold during the remaining term of the agreement. Among other terms and conditions, SLM is also required to deliver to LRC-SLM L.P. 3% of all gold produced from the property during the term (this obligation is extinguished on expiry or other termination of the agreement). Subject to its terms, the agreement expires in February 2019.

RNC cannot obtain any dividends from its interest in SLM until the agreement is fully repaid or replaced.

#### VMS Ventures Acquisition

##### VMS Transaction Summary

RNC has entered into a definitive agreement to acquire 100% of [VMS Ventures Inc.](#), pursuant to which VMS shareholders will receive:

1. 36,000,000 RNC common shares (worth approximately CDN\$5.9 million, or CDN\$0.040 per VMS share based on the RNC share VWAP of CDN\$0.164 on the TSX as at January 29, 2016);
2. A cash payment totaling approximately CDN\$3,507,000 (or CDN\$0.023942 per VMS share);
3. A total of 29,978,393 common shares of NAN (representing VMS' existing stake in NAN) to be distributed by way of a dividend in kind to VMS shareholders at approximately 0.2047 NAN shares per VMS share (worth approximately CDN\$2.4 million, or CDN\$0.017 per VMS share, based on the NAN share VWAP of CDN\$0.082 on the TSX-V as at January 29, 2017).

All cash or all share election option. Under the arrangement, and subject to adjustment in accordance with the plan of arrangement, VMS shareholders will be entitled to elect to receive, in exchange for each VMS share held, either: (i) 0.245765 of an RNC common share and CDN\$0.023942 in cash; or (ii) 0.392032 of an RNC common share; or (iii) CDN\$0.064170 in cash, subject to proration under total aggregate share and cash pools of 36,000,000 RNC shares and CDN\$3,507,000, respectively. Assuming full pro-rata, and on a non-diluted basis, VMS shareholders will receive 0.245765 of an RNC common share and CDN\$0.023942 in cash in exchange for each VMS share held.

The 36.0 million RNC common shares to be issued to VMS shareholders pursuant to the Agreement will represent approximately 18% of RNC's issued and outstanding common shares following completion of the SLM transactions and VMS transaction on the terms describe above. The approximately CDN\$3.5 million in cash to be distributed to VMS shareholders will be funded from existing VMS cash on hand.

The terms and conditions of the Agreement will be disclosed in more detail in the VMS management information circular which is expected to be filed and mailed to VMS shareholders by early March, in anticipation of a special meeting of VMS shareholders to be held in March. Completion of the transaction is subject to customary conditions, including court approvals,

VMS shareholder approval, and the receipt of all regulatory and stock exchange approvals.

The Board of Directors of VMS has unanimously approved the agreement and will provide a written recommendation that VMS security holders vote in favour of the arrangement. In addition, each member of the board of directors and senior management of VMS, and certain shareholders, including Glenn Pountney and Hudbay, have entered into lock-up agreements with Royal Nickel pursuant to which each has agreed to vote in favour of the transaction, which together represent approximately 38% of the shares outstanding. Other terms of the transaction include an agreement by VMS to pay a break fee to Royal Nickel under certain circumstances in the amount of CDN\$400,000. VMS has also provided Royal Nickel with certain other customary rights, including a right to match competing offers and a non-solicitation clause.

#### Highlights of the VMS Transaction:

- **Quality Producing Asset:** Immediately provides RNC shareholders with exposure to copper production from the fully ramped up, high-grade Reed Mine, consistent with strategy to become multi-asset base metals company. The asset is profitable in the current copper price and foreign exchange rate environment
- **Leveraged Copper Exposure:** The Reed Mine provides leveraged exposure to copper production with limited recourse to RNC and minimal impact to RNC's existing cash balance
- **Strong Operating Team:** Hudbay is the Reed Mine's 70% owner and a strong operator, allowing RNC management to continue to focus on advancing existing projects and additional opportunities
- **Exploration Potential:** Along with a 30% interest in the Reed Mine, the VMS acquisition will provide RNC shareholders with exposure to additional exploration potential at the Reed Mine and the surrounding area
- **Benefits to VMS shareholders:** Diversification through exposure to additional assets, including RNC's flagship shovel-ready Dumont Nickel Project, advanced exploration stage West Raglan Nickel Project, and the to be acquired producing SLM nickel-gold mine. At the same time, VMS shareholders will retain the ability to participate in future upside potential at the Reed Mine and the VMS exploration package through their ownership of RNC shares

#### Reed Mine Overview

The Reed Mine is located near Flin Flon, Manitoba. VMS announced discovery on the Reed property in 2007 and after follow-up drilling signed a joint venture agreement with Hudbay in 2010 whereby Hudbay became the 70% owner and operator of the Reed project and VMS retained a 30% participating interest. In December 2011, Hudbay approved the construction of the Reed Mine. The capital construction budget for Reed was CDN\$72 million. Production at Reed commenced in September 2013 and the mine commenced commercial production on April 1, 2014.

In an investor presentation dated December 1, 2015, Hudbay disclosed the following life-of-mine estimates for the Reed Mine on a 100% basis:

Daily Ore Throughput	1,300 tonnes
Average Annual Copper Production	15,000 tonnes
Cash Cost of Copper Production	CDN\$1.64 per pound
Combined Mine and Mill Unit Operating Costs	CDN\$90 per tonne
Mine Life	4 years

Source: Hudbay and VMS Venture Inc. company disclosure

1. LOM as per NI 43-101 Pre-Feasibility Study Technical Report on the Reed Copper Deposit dated April 2, 2012 as filed on Sedar.com by [VMS Ventures Inc.](#), shown on 100% basis
2. Average US\$/CDN\$ exchange rate assumption is 0.97
3. Production represents contained metal in concentrate
4. Cash costs per pound calculated using the life of mine model supporting the NI 43-101 report
5. Mine life based on mineral reserves as of January 2015

For further information about the Reed Mine, including a description of the reserves thereunder and applicable data verification matters, please refer to the NI 43-101 technical report of VMS dated April 2, 2012, available on SEDAR under the profile of VMS.

During 2015, VMS's 30% share of metal contained in concentrate production from the Reed Mine was 4.0 kt of copper and 1.4 koz of gold. Production figures are metal contained in concentrate. The table below shows quarterly 2015 ore production from the Reed Mine. The 30% share attributable to VMS for 2015 is 139,013 tonnes.

	Quarter ended 31-Mar-15	Quarter ended 30-Jun-15	Quarter ended 30-Sep-15	Quarter ended 31-Dec-15	Full Year 2015
Tonnes Hoisted	118,645	112,505	113,043	119,183	463,375
Au (g/t)	0.607	0.595	0.499	0.494	0.548
Ag (g/t)	6.675	6.210	6.546	7.557	6.758
Cu (%)	2.808	3.117	3.181	3.513	3.156
Zn (%)	0.679	0.931	1.485	0.878	0.988

Note: Financial and operating information for the Reed mine was provided to VMS by Hudbay as part of its joint venture reporting obligations

#### 2016 Guidance

The operator has not provided guidance for the Reed Mine. The following information is RNC's management estimate of production and costs. In 2016, RNC's 30% share of production from the Reed Mine is expected to be 4-4.5 kt of copper and 0.5-0.75 koz of gold.

#### Financial Information

The following financial information for the Reed Mine was provided to VMS by Hudbay as part of its joint venture reporting obligations.

As of April 1, 2014, commercial production started at the Reed Mine. As per the Joint Venture Agreement, a contribution loan was established to record VMS's 30% share of the mine development costs incurred by Hudbay to the date of commercial production. VMS reports quarterly drawdowns on same basis as the loan based on gross profits before depletion from actual ore concentrate sales less production costs and accrued interest on a bridge loan from Hudbay. There is a delay of approximately 100 days before the ore concentrate sales are finalized. The bridge loan of CDN\$3.3 million funded VMS's portion of Reed production costs from April to June of 2014 and accrues interest at 8% per annum, which is repaid from the gross profits of the mine. The bridge loan principal will not be repaid from the gross profit of the mine until the contribution loan has been repaid in full and is non-recourse to RNC. The contribution loan is interest free and non-recourse to RNC and is repaid by cash flow from the mine. At December 31, 2015, the contribution loan balance was CDN\$17 million. During 2015, a total of CDN\$4.8 million had been repaid - CDN\$4.3 million of the loan was repaid from cash flow from operations during 2015 and a further CDN\$0.5 million from a contribution to exploration costs.

Estimates of mineral reserves and resources for Reed are set out below as reported in Hudbay's 2014 Annual Information Form dated March 30, 2015, as filed on Sedar.com.

#### Reed &ndash; Mineral Reserves &ndash; January 1, 2015 <sup>(1)(2)</sup>

Reed Mine	Tonnes	Cu (%)	Zn (%)	Au (g/t)	Ag (g/t)
Proven	488,000	3.33	0.67	0.38	5.82
Probable	1,076,000	4.01	0.29	0.37	4.50
Total Mineral Reserve	1,564,000	3.80	0.41	0.38	4.91

Notes:

- (1) The zinc price used for the mineral reserve estimations was US\$1.07 per pound (includes premium), the copper price used for the mineral reserves estimation was US\$3.15 per pound, the gold price was US\$1,260.00 per ounce and the silver price was US\$21.00 per ounce using an exchange rate of 1.10 C\$/US\$.
- (2) For additional details relating to the estimates of mineral reserves and resources at the Reed mine, including data verification and quality assurance/quality control processes refer to the "Pre-Feasibility Study Technical Report on the Reed Copper Deposit, Central Manitoba, Canada" as filed on SEDAR by [VMS Ventures Inc.](#) on May 14, 2012.

Reed &ndash; Inferred Mineral Resources &ndash; September 30, 2014 <sup>(1)</sup>

Tonnes	Cu (%)	Zn (%)	Au (g/t)	Ag (g/t)
205,000	4.80	0.53	0.41	5.14

Notes:

- (1) Mineral resources that are not mineral reserves do not have demonstrated economic viability. The above mineral resources are exclusive of reserves and were estimated using the same metals prices as were used for the estimate of mineral reserves at Reed.

#### Exploration Opportunities

The Reed Mine deposit remains poorly tested at depth. Drilling to test for new ore zones is expected to begin once underground development reaches an appropriate depth. In addition to exploration potential at the Reed Mine, VMS also has an exploration joint venture with Hudbay on substantially the same terms that govern the Reed Mine. The exploration joint venture with Hudbay consists of four separate but contiguous claims blocks surrounding the Reed Copper Deposit JV.

In addition to the exploration properties covered by the Hudbay &ndash; VMS joint ventures, VMS has interests in five other exploration properties in Manitoba and one in Ontario.

#### RNC

RNC's closing cash balance on December 31, 2015 was CDN\$9.6 million. Audited financial statements for the year ended December 31, 2015 will be released on February 26, 2016.

#### NI 43-101 Compliance for SLM Acquisition

With respect to the SLM acquisition, the technical information in this news release has been prepared in accordance with Canadian regulatory requirements by, or under the supervision of David Penswick, P.Eng., and Elizabeth Haren, MAusIMM CPGeo, of Haren Consulting Pty Ltd., all of whom are independent Qualified Persons as set out in National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101").

#### Quality Assurance - Quality Control ("QA/QC") at Beta Hunt

The majority of the nickel Mineral Resources reported has been defined by drill holes completed in 2008 and 2014 while the gold Mineral Resources have been generated from drill holes completed over the life of the Beta Hunt mine. Sampling and assaying methodologies have been tailored to either nickel or gold depending on the drill target.

All diamond core samples have been analyzed by external laboratories with various levels of company based and laboratory internal QA/QC programs implemented. Some quality issues have been identified over time however the Qualified Person does not consider the overall effect of minor errors to be material to the reported Mineral Resources. This is supported in the case of the nickel estimates by reconciliation of nickel production by SLM during 2014.

Drillhole programs completed by SLM follow industry standard procedures for drilling, collection of samples and submission to external laboratories. Where specific gravity data is absent, regression curves have been used to populate the database. Data collection, retention and backup by SLM follow industry standards. No independent verification of significant intersections has been performed. Overall thorough QA/QC protocols are followed at Beta Hunt and the Qualified Person is satisfied that the data is reliable.

The Mineral Resource estimates set out in this news release have been prepared using accepted industry practice and classified in accordance with the JORC Code, 2012 Edition. Elizabeth Haren, MAusIMM CPGeo, of Haren Consulting Pty Ltd accepts responsibility as Qualified Person for the Mineral Resource estimates. The "JORC Code" means the Australasian Code for Reporting of Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Mineral Council of Australia. There are no material differences between the definitions of Mineral Resources under the applicable definitions adopted by the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM Definition Standards") and the corresponding equivalent definitions in the JORC Code for Mineral Resources.

Readers are advised that Mineral Resources not included in Mineral Reserves do not demonstrate economic viability. Mineral Resource estimates do not account for mineability, selectivity, mining loss and dilution. These Mineral Resource estimates include Inferred Mineral Resources that are normally considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that Inferred Mineral Resources will be converted to Measured and Indicated categories through further drilling, or into Mineral Reserves, once economic considerations are applied.

Based on the resource estimate, a standard methodology for stope design, mining sequence and cut-off grade optimization, including application of mining dilution, process recovery, economic criteria and physical mine and plant operating constraints has been followed to design the mine and to complete a Preliminary Economic Assessment ("PEA") report for the Beta-Hunt Mine by David Penswick, P.Eng.

The PEA is preliminary in nature, and is based on a mineral resource estimate that includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized.

The full PEA study including Mineral Resources described here, prepared as a NI 43-101 compliant Technical Report, will be filed under RNC's profile on SEDAR at [www.sedar.com](http://www.sedar.com) within 45 days.

#### NI 43-101 Compliance for VMS Acquisition

The reserve and resource estimates included in this news release were prepared in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining, Metallurgy and Petroleum Standards on Mineral Resources and Reserves: Definitions and Guidelines.

All mineral resources referred to in this news release are exclusive of and additional to stated mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

To estimate mineral reserves, measured and indicated mineral resources were first estimated in a 12-step process, which includes determination of the integrity and validation of the data collected, including confirmation of specific gravity, assay results and methods of data recording. The process also includes determining the appropriate geological model, selection of data and the application of statistical models including probability plots and restrictive kriging to establish continuity and model validation. The resultant estimates of measured and indicated mineral resources are then converted to proven and probable mineral reserves by the application of mining dilution and recovery, as well as the determination of economic viability using full cost analysis. Other factors such as depletion from production are applied as appropriate.

Estimated inferred mineral resources within our mines were estimated by a similar 12-step process, used to estimate measured and indicated resources.

The zinc price used for mineral reserve and resource estimations for the Manitoba mines was US\$1.07 per pound (includes premium), the copper price was US\$3.15 per pound, the gold price was US\$1,260.00 per ounce and the silver price was US\$21.00 per ounce using an exchange of 1.10 C\$/US\$.

For additional details relating to the estimates of mineral reserves and resources at the Reed mine, including data verification and quality assurance/quality control processes refer to the "Pre-Feasibility Study Technical Report on the Reed Copper Deposit, Central Manitoba, Canada" as filed on SEDAR by [VMS Ventures Inc.](http://www.vmsventures.com) on May 14, 2012.

The technical and scientific information related to Reed has been approved by Robert Carter, P. Eng, Hudbay's Director, Technical Services. Mr. Carter is a qualified person pursuant to NI 43-101.

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

This news release uses the terms "measured" and "indicated" mineral resources and "inferred" mineral resources. The

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

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

#### Qualified Person

The disclosure of scientific and technical information contained in this news release has also been approved by Alger St-Jean, Vice President Exploration of RNC, who is a "Qualified Person" under National Instrument 43-101.

#### Advisors

Haywood Securities Inc. is acting as exclusive financial advisor to RNC. Red Cloud Mining Capital was an advisor in connection to the SLM acquisition. Norton Rose Fulbright is acting as legal counsel to RNC.

Minvisory Corp. is acting as financial advisor to VMS Ventures. McMillan LLP is acting as legal counsel to VMS Ventures.

#### Conference Call

RNC will be hosting a conference call and webcast today to discuss the proposed transaction beginning at 10:00 a.m. (Eastern time).

Live Conference Call and Webcast Access Information:  
North American callers please dial: 1-888-231-8191  
Local and international callers please dial: 647-427-7450

A live webcast of the call will be available through CNW Group's website at: [www.newswire.ca/en/webcast/index.cgi](http://www.newswire.ca/en/webcast/index.cgi)

A recording of the conference call will be available for replay for a one week period beginning at approximately 1:00 p.m. (Eastern Time) on February 1, 2016, and can be accessed as follows:

North American callers please dial: 1-855-859-2056; Pass Code: 39756423  
Local and international callers please dial: 416-849-0833; Pass Code: 39756423

#### About Royal Nickel Corporation

Royal Nickel Corporation is a multi-asset mineral resource company focused primarily on the acquisition, exploration, evaluation and development of base metal and platinum group metal properties. RNC's principal asset is the Dumont Nickel Project strategically located in the established Abitibi mining camp, in the municipalities of Launay and Trécesson, 25 kilometres northwest of Amos, Quebec. RNC also owns interests in two advanced stage nickel exploration properties: the Aer-Kidd project near Sudbury, Ontario and the West Raglan project in northern Quebec. RNC has a strong management team and Board with over 100 years of mining experience in the nickel business at Inco and Falconbridge. RNC's common shares and warrants trade on the TSX under the symbols RNX and RNX.WT. RNC also trades on the OTCQX market under the symbol RNKLF.

#### About VMS Ventures Inc.

[VMS Ventures Inc.](#) acquires, explores, develops, and evaluates mineral properties in Canada. The company primarily explores for copper, zinc, gold, and silver deposits. Its principal property is the Reed Lake project located to the southwest of Snow Lake, Manitoba. VMS's common shares and warrants trade on the TSX under the symbols VMS.

## About SLM

SLM is a private company based in Australia focused on developing mineral properties. Its main asset is the Beta-Hunt nickel-gold mine located in Western Australia.

## Cautionary Statement Concerning Forward-Looking Statements

This news release provides certain financial measures that do not have a standardized meaning prescribed by IFRS. Readers are cautioned to review the stated footnotes regarding use of non-IFRS measures.

This news release contains "forward-looking information" including without limitation statements relating to the completion of the transaction contemplated by the Agreements, the potential of the Beta Hunt Mine and the Reed Mine.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of RNC to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could affect the outcome include, among others: failure of the parties to sign definitive agreements and satisfy conditions of closing; future prices and the supply of metals; the results of drilling; inability to raise the money necessary to incur the expenditures required to retain and advance the properties; environmental liabilities (known and unknown); general business, economic, competitive, political and social uncertainties; accidents, labour disputes and other risks of the mining industry; political instability, terrorism, insurrection or war; or delays in obtaining governmental approvals, projected cash costs, failure to obtain regulatory or shareholder approvals. For a more detailed discussion of such risks and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements, refer to RNC's filings with Canadian securities regulators available on SEDAR at [www.sedar.com](http://www.sedar.com).

Although RNC has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this news release and RNC disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as required by applicable securities laws.

SOURCE Royal Nickel Corporation

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