

RNC will host a call/webcast on August 16 at 10:00 a.m. (Eastern Time) to discuss second quarter 2016 results. 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, Aug. 16, 2016 /CNW/ - Royal Nickel Corporation ("RNC") (TSX: RNX) (OTCQX: RNKLF) is pleased to report its financial results and review of activities for the quarter ended June 30, 2016. All amounts are expressed in Canadian dollars, unless otherwise noted, and are based on the unaudited financial statements for the quarter ended June 30, 2016.

Mark Selby, President and CEO, commented, "The second quarter of 2016 was another major step forward by RNC where we successfully completed acquiring 100% control of the Beta Hunt Mine and completed the acquisition of VMS Ventures and its 30% interest in the Reed Mine. Beta Hunt's gold production in the second quarter surpassed our prior guidance and the Reed Mine, operated by HudBay Minerals, had a record quarter. With the strong operating results at Reed, RNC expects the contribution and bridge loan balances (net of related receivables) owed to Hudbay to be zero in the third quarter of 2017, based on current metal prices. RNC also recently announced a new discovery at Beta Hunt of a third major gold zone further increasing the resource potential. Finally, exploration began at our Qiqavik property after the recent flow-through financing following up on the high grade surface discoveries made last year."

Mr. Selby continued "RNC is in advanced discussions to replace the current Lascaux gold and nickel prepay debt facilities that are in place in respect of its Beta Hunt mine. Although there can be no assurance of a successful refinancing, RNC expects to conclude this process by August 31st."

Q2 2016 – Summary and Recent Highlights

- Beta Hunt pre-commercial gold production was 7,599 ounces for Q2 2016 (equivalent to 6,900 payable ounces), an increase of 35% from the prior quarter, and ahead of previously announced guidance of 6,400 – 6,600 ounces for the quarter (100% basis). The cash operating cost per ounce sold was US\$826 and the all-in sustaining cost per ounce sold was US\$1,269. Nickel in concentrate production from Beta Hunt was 0.42 kt, a decline of 47% from Q1 as RNC focused on gold production as nickel prices during the first half of 2016 reached a 16 year low. The cash operating cost per pound sold was US\$3.67 and the all-in sustaining cost per pound sold US\$3.88.
- RNC announced the discovery of a significant new gold zone, the third major gold zone, at the Beta Hunt mine.
- RNC's 30% proportionate share of copper contained in concentrate production from the Reed Mine of 3.3 MM lbs (1.5 kt) was a quarterly record. Gold in concentrate from the Reed Mine was 402 ounces. The cash operating cost (net of by-product credits) per pound of copper sold was US\$1.21 and all-in sustaining cost was US\$1.35 per pound.
- Cash flow from the Reed Mine reduced the effective contribution and bridge loan balance by an estimated \$4.4 million during the quarter to an estimated \$10 million¹.
- Combined operating income from Beta Hunt and the Reed Mine was \$0.3 million for the quarter. EBITDA during the quarter was \$(2.3) million or \$(0.01) per share. Adjusted EBITDA was \$1.2 million, which excludes one-time acquisition costs of \$1.9 million and share-based payments of \$1.5 million. Adjusted net loss during the quarter was \$2.4 million or \$0.01 per share, excluding one-time acquisition costs and net other expenses (income) of \$5.2 million.

1. The contribution loan balance and bridge loan balances owing to Hudbay as at June 30, 2016 were, respectively, \$13.6 million and \$3.4 million (\$16.3 million and \$3.4 million as at March 31, 2016). Total loan balance as at June 30, 2016 was \$17.0 million (\$19.7 million as at March 31, 2016). Due to the approximate 100 day delay in the finalization of ore concentrate sales, these quarter-end loan balances do not reflect RNC's share of concentrate sales receivables (made during the quarter). This excess as at June 30, 2016 was \$7.0 million (\$5.3 million as at March 31, 2016). Net of this receivable, the total contribution loan and bridge loan balance as at June 30, 2016 would be \$10.0 million (\$14.4 million as at March 31, 2016).

Q2 2016 Operating Results and 2016 Outlook

In the quarter ended June 30, 2016 the Beta Hunt Mine was not 100% owned until May 31, 2016. The following is a summary of the 2016 Q2 Production from Beta Hunt Mine:

Beta Hunt Mine Q2 Overview (100% basis)

Beta Hunt Gold and Nickel Operation	Q2 2016	Q1 2016
Gold tonnes mined (000s)	95.4	66.2
Gold mined grade	2.54	2.41 ¹
Gold tonnes milled (000s)	80.4	43.1
Gold mill grade (g/t) ¹	2.23	2.65
Gold mined (ounces) ^{1,2}	7,599	5,636
Gold sales (ounces)	5,402	3,416
Gold C1 cash operating cost (US\$ per ounce sold) ^{3,4}	826	n/a
Gold all-in sustaining cost (US\$ per ounce sold) ^{3,4}	1,269	n/a
Nickel tonnes mined (000s)	19.1	29.4
Nickel tonnes milled (000s)	19.2	29.7
Nickel mill grade (% nickel)	2.34	3.04
Nickel in concentrate tonnes (000s)	0.42	0.8
Nickel C1 cash operating cost (US\$ per lb / tonne sold) ⁴	\$3.67 / \$8,084	\$2.63 / \$5,808
Nickel all-in sustaining cost (AISC) US\$ per lb / tonne sold) ⁴	\$3.88 / \$8,555	\$2.83 / \$6,229

1. The March 2016 mineralization mine grade and ounces were finalized with the final results from the Q2 2016 toll, which resulted in lower gold mine grade (2.41) than previously reported (3.10). The June 2016 mineralization mine grade and ounces will be finalized with the final results from the Q3 2016 toll. The Q2 numbers provided above include preliminary estimates of the ROM grade.
2. As of June 30, 2016, 39,000 tonnes of gold mineralization from June 2016 production remained on the ROM pad for tolling in the subsequent quarter, compared to 23,000 tonnes of gold mineralization from March 2016 production as of March 31, 2016.
3. Gold operations in Q1 2016 were at the early stage of the ramp up towards commercial production and operating and sustaining costs per ounce are not comparable to Q2 or to other companies.
4. Cash operating cost, cash operating cost per tonne, and all-in sustaining cost, are not recognized measures under IFRS. Such non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Management uses these measures internally. The use of these measures enables management to better assess performance trends. Management understands that a number of investors, and others who follow RNC's performance, assess performance in this way. Management believes that these measures better reflect RNC's performance and are better indications of its expected performance in future periods. This data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

During the three months ended June 30, 2016, RNC increased its ownership interest in the Beta Hunt Mine to 100%. In 2016, the Beta Hunt Mine is also transitioning from a nickel producer to a gold and nickel producer. As a result, the 2016 results will not be directly comparable to the prior or future years.

The Beta Hunt Mine continues to transition to gold production with mined gold production increasing by 34% during the quarter. Gold grades were below expectations as mineralized material from some of the initial stopes that were classified in the inferred category were lower than planned. Going forward, variance in grades is expected to be reduced as drilling to upgrade the resource proceeds and mining advances into those areas of the mine that are already in higher confidence categories. Nickel production declined by 47% to 0.42kt as a result of the previously indicated decision to focus on gold production as nickel prices reached multi-year lows during the first half of the year and to preserve the nickel resource for higher nickel price periods. The combination of lower gold grades, lower nickel production, and higher than anticipated Australian currency resulted in higher than expected cash costs of US\$826 per ounce and all-in sustaining costs of US\$1,269 per ounce. As gold production ramps up and grades improve, operating costs are expected to decline. Once the mine completes its ramp up, costs are expected to decline towards previously indicated levels – final figures will be dependent on levels of nickel and gold production which will be finalized later this year.

A preliminary economic assessment ("PEA") for Beta Hunt, prepared as a NI 43-101 compliant technical report, was filed under

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

Reed Mine

RNC's acquisition of 100% of VMS Ventures, whose main asset is a 30% interest in the Reed Mine, closed on April 27, 2016. As such the financial and operating results of the Reed Mine in the second quarter have been included in RNC's reporting of consolidated second quarter results for the period April 27, 2016 to June 30, 2016 only.

Reed Mine Q2 2016 Production

For the three months ended June 30, 2016, VMS's 30% share of metal contained in concentrate production from the Reed Mine was 1.5 kt of copper and 402 oz of gold.

Reed Mine Q2 2016 Operating Review (100% basis)

	Q2 2016	Q1 2016
Ore (tonnes hoisted)	114,452	111,461
Ore (tonnes milled)	111,002	94,997
Copper (%)	4.87	4.38
Zinc (%)	0.45	0.82
Gold (g/t)	0.60	0.54
Silver (g/t)	7.47	7.21
Mine unit operating cost (CDN\$/tonne)	\$44	\$46

Reed Mine Q2 2016 Production and Costs (30% basis)

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

1. Cash cost and all-in sustaining cost per pound sold, net of by-product credits

Dumont Project

During Q2 2016, RNC continued its activities in support of the evaluation of the Dumont Nickel Project. The work program focused on the bulk test program including both a mineral processing pilot plant and concentrate roasting, assisting with the EPC proposal preparation, supporting and following up on the ESIA filing. The following were the major activities and accomplishments during the second quarter:

- Roasting Tests: Samples of the Dumont calcine were sent to potential customers and testing was ongoing through Q2.
- EPC Proposal: In August 2015 it was announced that an MOU had been signed with Ausenco/DF to prepare a lump sum turn key (EPC) proposal. Work has been ongoing to support the proposal including review of the preliminary results, and assistance with development of the general terms and conditions.
- Dumont Project Engineering: Two proposals were awarded to advance the engineering on the Dumont Project. RNC has begun preliminary trade-off studies in anticipation of completing an updated feasibility study for the project when market conditions are appropriate.

Development work on the contemplated alternative concentrate processing route (roasting) has continued to demonstrate positive results.

Mark Selby, President and CEO, commented, "The roasting testwork clearly demonstrates the potential for significant value creation through simpler, lower cost processing compared to traditional smelting and refining and providing access to a much larger group of potential consumers for Dumont concentrate. This testwork confirms RNC's belief that this alternative processing approach allows RNC to capture additional value from the high grade and relatively clean concentrate to be produced from Dumont ore."

Pilot scale testwork confirms the early laboratory scale work that demonstrated the ability to produce a low sulphur nickel calcine, potentially suitable for direct use in nickel pig iron, ferro-nickel and stainless steel production. Initial samples have been shipped to potential customers for downstream test work. The calcine produced contained <0.2% S.

Initial characterization tests on Dumont concentrate in a laboratory scale roaster were performed to quantify the roasting parameters required in the pilot scale. The pilot scale testwork on the first batch was completed by the end of Q1 and the calcine was characterized and prepared for shipment and testing in Q2 2016.

RNC has the following targeted key milestones to achieve the development of the Dumont Nickel Project:

- Completion of partnership and financing arrangements;
- Estimated construction schedule of 24 months post securing of financing and completion of detailed engineering;
- Project commissioning is expected to begin in ten to eleven quarters after financing is in place.

Financial Results

For the three months ended June 30, 2016, RNC incurred a net loss of \$7.5 million (\$0.04 per share), compared to a net loss of \$1.2 million (\$0.01 per share) in the same period last year. The net loss increase of \$6.3 million is due primarily to higher general and administrative expenses (\$3.4 million), higher other expenses (\$3.3 million) and Beta Hunt mine operating loss (\$1.3 million), partially offset by Reed Mine operating income (\$1.6 million). The increase in general and administrative expenses (\$3.4 million) is due primarily to acquisition costs (\$2.0 million) on RNC's acquisitions of SLM and VMS, higher non-cash share-based payments (\$1.2 million) due to the increase in RNC's share price during the quarter, and higher consulting fees (\$0.3 million).

The increase in other expenses (\$3.3 million) is due primarily to the change in fair value (\$1.9 million) and accretion (\$0.5 million) of SLM's senior secured facility, SLM finance costs (\$0.4 million), and accretion of VMS's contribution loan from Hudbay (\$0.3 million).

Highlights of RNC's financial position are as follows (in millions of dollars):

	June 30, 2016	March 31, 2016	December 31, 2015
Cash position ¹	9.7	7.2	9.6
Working capital ²	(12.8)	(5.7)	7.8
Total assets	166.8	124.9	82.6
Shareholder's equity	94.0	77.8	68.3

1 Includes Cash and Cash equivalents.

2 Working capital is a measure of current assets less current liabilities

RNC's ability to operate as a going concern is dependent on its ability to raise financing. While management has been successful in securing financing in the past, there can be no assurance that adequate or sufficient funding will be available in the future, or available under terms acceptable to RNC.

Conference Call / Webcast

RNC will be hosting a conference call and webcast today 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

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 August 16, 2016, and can be accessed as follows:

North American callers please dial: 1-855-859-2056; Pass Code: 61531494

Local and international callers please dial: 416-849-0833; Pass Code: 61531494

About RNC

RNC is a multi-asset mineral resource company focused primarily on the acquisition, exploration, evaluation and development of base metal and precious metal properties. RNC's principal assets are the producing Beta Hunt nickel and gold mine in Western Australia, the Dumont Nickel Project located in the established Abitibi mining camp in Quebec and a 30% stake in the producing Reed Mine in the Flin Flon-Snow Lake region of Manitoba, Canada. RNC also owns a majority interest in the West Raglan and Qiqavik projects in Northern Quebec. RNC has a strong management team and Board with over 100 years of mining experience at Inco and Falconbridge. RNC's common shares trade on the TSX under the symbol RNX. RNC shares also trade on the OTCQX market under the symbol RNKLF.

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 information and footnotes regarding use of non-IFRS measures.

This news release contains "forward-looking information" including without limitation statements relating to the the liquidity and capital resources of RNC, production and cost guidance, the potential of the Beta Hunt and Reed mines, and the potential of the Dumont, West Raglan and Qiqavik projects.

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

Although RNC has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this 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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