ROYAL NICKEL CORPORATION
(Doing business as RNC Minerals)

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three Months Ended March 31, 2019 and 2018
(in millions of Canadian dollars)

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Royal Nickel Corporation

Interim Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars)
(Unaudited)

As at	**March 31, 2019**	December 31, 2018
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	**752**	1,340
Marketable securities	**270**	-
Amounts receivable (note 3)	**2,310**	3,110
Derivative asset (note 10)	**3,815**	-
Inventories (note 4)	**7,019**	6,481
Assets held for sale	**26**	26
	14,192	10,957
Non-current assets		
Property, plant and equipment (note 6)	**31,250**	24,530
Investment in associates (note 5)	**22,170**	22,477
Other non-current assets	**52**	48
Total assets	**67,664**	58,012
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 3)	**13,965**	14,159
Share incentive plans	**4,278**	5,205
Asset retirement obligations	**94**	92
Current portion of long-term debt (note 7)	**6,662**	4,166
Contract liabilities (note 8)	**2,126**	4,904
Leases	**535**	292
Current portion of derivative financial liabilities (note 9)	**689**	1,131
	28,349	29,949
Non-current liabilities		
Asset retirement obligations	**838**	845
Long-term debt (note 7)	**294**	324
Leases	**769**	-
Other non-current liabilities and provisions	**668**	773
Total liabilities	**30,918**	31,891
EQUITY		
Share capital	**208,889**	196,094
Contributed surplus	**28,860**	28,709
Accumulated other comprehensive income	**2,853**	1,863
Deficit	**(203,856)**	(200,545)
Total equity	**36,746**	26,121
Total liabilities and equity	**67,664**	58,012

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Going concern (note 1)
Subsequent events (note 19)

Interim Consolidated Statements of Comprehensive Loss

(Expressed in thousands of Canadian dollars, except share and per share numbers)
(Unaudited)

For the three months ended March 31,	2019 $	2018 $
Revenue	**10,863**	21,425
Cost of operations:		
Production and toll-processing costs	**8,259**	20,636
Royalty expense	**1,109**	1,541
General and administrative: share-based payments (note 13)	**833**	1,306
General and administrative: other (note 13)	**1,886**	1,385
Depreciation and amortization	**503**	3,378
Operating loss	**(1,727)**	(6,821)
Other expenses, net (note 16)	**(1,562)**	(5,870)
Loss before income tax	**(3,289)**	(12,691)
Income tax recovery	**-**	142
Net loss for the period	**(3,289)**	(12,549)
Attributable to:		
RNC shareholders	**(3,289)**	(12,402)
Non-controlling interests	**-**	(147)
Other comprehensive loss for the period:		
Currency translation adjustments	**(990)**	721
Comprehensive loss for the period	**(4,279)**	(11,828)
Attributable to:		
RNC shareholders	**(4,279)**	(11,681)
Non-controlling interests	**-**	(147)
Loss per share - basic and diluted	**(0.01)**	(0.04)

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars)
(Unaudited)

For the three months ended March 31,	2019 $	2018 $
Cash flow provided by (used in)		
OPERATING ACTIVITIES		
Net loss for the year	**(3,289)**	(12,549)
Net change in contract liabilities	**(2,778)**	5,946
Items not involving cash:		
Depreciation and amortization	**525**	3,476
Deferred income tax recovery	**-**	(142)
Other expenses (income) (note 17)	**(174)**	1,274
Shares issued for consulting services	**-**	370
Share-based payments	**(642)**	1,306
Foreign exchange loss	**1,224**	180
	(5,134)	(139)
Changes in working capital		
Amounts receivable and prepaid expenses	**794**	1,075
Inventories	**(538)**	(3,922)
Accounts payable and accrued liabilities	**(640)**	(1,063)
	(5,518)	(4,049)
INVESTING ACTIVITIES		
Expenditures on mineral property interests	**-**	(842)
Acquisition of property, plant and equipment	**(5,982)**	(275)
Proceeds from the sale of an investment	**-**	73
	(5,982)	(1,044)
FINANCING ACTIVITIES		
Issuance of shares, net of costs	**8,127**	1,600
Issuance of debt	**2,382**	-
Private placement - Orford	**-**	483
Repayment of long-term debt	**(30)**	(1,169)
Proceeds from exercise of options and warrants	**614**	32
Principal payments on leases (2018: finance leases)	**(181)**	(97)
	10,912	849
Change in cash and cash equivalents	**(588)**	(4,244)
Cash and cash equivalents, beginning of period	**1,340**	24,400
Cash and cash equivalents, end of period	**752**	20,156
Components of cash and cash equivalents:		
Cash	**644**	9,260
Cash equivalents	**108**	10,896
	752	20,156

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Royal Nickel Corporation

Interim Consolidated Statements of Changes in Equity

(Expressed in thousands of Canadian dollars, except share numbers)
(Unaudited)

	Share capital		Contributed surplus	Accumulated other comprehensive income	Deficit	Equity attributable to RNC shareholders	Non-controlling interests	Total equity
	Number	$	$	$	$	$	$	$
Balance as at December 31, 2018 as reported	**446,312,092**	**196,094**	**28,709**	**1,863**	**(200,545)**	**26,121**	**-**	**26,121**
Adjustment for IFRS 16 adoption (note 2)	-	-	-	-	(22)	(22)	-	(22)
Balance as at January 1, 2019 as adjusted	**446,312,092**	**196,094**	**28,709**	**1,863**	**(200,567)**	**26,099**	**-**	26,099
Private placement – public offering and overallotment (note 10)	13,370,165	6,150	-	-	-	6,150	-	6,150
Private placement (note 10)	6,521,000	3,000	-	-	-	3,000	-	3,000
Private placement – purchase option (note 10)	7,104,655	3,815	-	-	-	3,815	-	3,815
Settlement of RSUs	578,959	221	-	-	-	221	-	221
Warrants issued	-	-	343	-	-	343	-	343
Exercise of w arrants	324,443	243	(93)	-	-	150	-	150
Exercise of stock options	1,546,664	732	(268)	-	-	464	-	464
Issue costs	-	(1,023)	-	-	-	(1,023)	-	(1,023)
Issue costs - w arrants	-	(343)	-	-	-	(343)	-	(343)
Share-based payments	-	-	169	-	-	169	-	169
Loss for the period	-	-	-	-	(3,289)	(3,289)	-	(3,289)
Other comprehensive income	-	-	-	990	-	990	-	990
Balance as at March 31, 2019	**475,757,978**	**208,889**	**28,860**	**2,853**	**(203,856)**	**36,746**	**-**	**36,746**

	Share capital		Contributed surplus	Accumulated other comprehensive income	Deficit	Equity attributable to RNC shareholders	Non-controlling interests	Total equity
	Number	$	$	$	$	$	$	$
Balance as at January 1, 2018	**307,906,648**	**164,158**	**28,868**	**227**	**(192,271)**	**982**	**9,932**	**10,914**
Shares issued for consulting services	1,311,174	370	-	-	-	370	-	370
Shares issued in settlement of debt financing	3,499,407	717	-	-	-	717	-	717
Private placement - common shares	45,931,562	7,397	-	-	-	7,397	-	7,397
Private placement - Orford	-	-	-	-	-	-	1,195	1,195
Exercise of stock options	180,000	32	-	-	-	32	-	32
Change in minority interest	-	-	-	-	(236)	(236)	339	103
Share-based payments	-	-	954	-	-	954	-	954
Loss for the period	-	-	-	-	(12,402)	(12,402)	(147)	(12,549)
Other comprehensive income	-	-	-	(721)	-	(721)	-	(721)
Balance as at March 31, 2018	**358,828,791**	**172,674**	**29,822**	**(494)**	**(204,909)**	**(2,907)**	**11,319**	**8,412**

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Notes to Financial Statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Royal Nickel Corporation ("**RNC**", "**RNC Minerals**" or the "**Corporation**") is a company domiciled in Canada and was incorporated on December 13, 2006, under the *Canada Business Corporations Act*. The Corporation's shares are publicly traded on the Toronto Stock Exchange (TSX: RNX). The Corporation's registered office is located at 141 Adelaide Street West, Suite 1608 in Toronto, Ontario, Canada.

The unaudited condensed interim consolidated financial statements of the Corporation as at and for the three-month period ended March 31, 2019 comprise RNC and its subsidiaries, Salt Lake Mining Pty Ltd. ("**SLM**") and VMS Ventures Inc. ("**VMS**"). Collectively, these entities are referred to as the "**Corporation**". The Corporation accounts for its investments in Magneto Investments Limited Partnership ("**Magneto JV**" or "**Dumont JV**"), Orford Mining Corporation ("**Orford**") and Sudbury Platinum Corporation ("**SPC**") using the equity method at their respective ownership interests.

RNC is a multi-asset mineral resource company. The main asset is a 100% interest in the Beta Hunt Mine ("**Beta Hunt**"), a gold producing operation located in Western Australia which is held through SLM. RNC also has a 28% interest in the Dumont JV which owns the Dumont Nickel-Cobalt Project ("**Dumont**"), strategically located in the established Abitibi mining camp, 25 kilometres northwest of Amos, Quebec. The Dumont project contains undeveloped nickel and cobalt reserves. RNC acts as manager of this project on behalf of the Dumont JV. The Corporation also owns a 100% interest in VMS, which formerly owned 27% of the Reed Mine, located in Manitoba, and a 33% equity interest in Orford which holds the Qiqavik and West Raglan exploration projects in Nunavik.

The accompanying unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

As at March 31, 2019, the Corporation had negative working capital of $14.2 million, an accumulated deficit of $203.9 million and had a net loss of $3.3 million for the period then ended. Working capital included cash and cash equivalents of $0.8 million. These circumstances indicate the existence of material uncertainties that cast significant doubt upon the Corporation's ability to continue as a going concern and accordingly, the appropriateness of the use of IFRS applicable to a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

The Corporation's ability to continue future operations and fund its operations and successfully operate its Beta Hunt Mine is dependent on management's ability to secure additional financing in the future, which may be completed in a number of ways including, but not limited to, the issuance of debt or equity instruments, expenditure reductions, or a combination of strategic partnerships, joint venture arrangements, project debt finance, offtake financing, royalty financing and other capital market alternatives. While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Corporation or that they will be available on terms which are acceptable to the Corporation. If management is unable to obtain new funding, the Corporation may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these unaudited condensed interim consolidated financial statements.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Statement of Compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("**IASB**") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended December 31, 2018.

The Corporation's presentation currency is Canadian dollars.

The unaudited condensed interim consolidated financial statements were authorized for publication by the Board of Directors on May 14, 2019.

(b) Basis of preparation

The accounting policies followed in these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Corporation's audited annual consolidated financial statements for the year ended December 31, 2018, except as described below.

(c) New accounting standard adopted in 2019

Overview
On January 1, 2019, the Corporation adopted IFRS 16, *Leases*. This new standard replaced IAS 17, *Leases*, and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees: leases of "low-value" assets; and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize

the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. IFRS 16 also requires more extensive disclosures than under IAS 17.

New accounting policy
The revised accounting policy for leases is as follows:

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease by determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A right-of-use asset and lease liability is recognized at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, including periods covered by an option to extend the lease if the Corporation is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments remaining to be paid at the commencement date. The lease payments are discounted using the implicit interest rate in the lease. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability. If the rate cannot be readily determined, the Corporation's incremental rate of borrowing is used. The lease liability is subsequently measured at amortized cost using the effective interest method whereby the balance is increased by interest expense and decreased by lease payments. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option.

The Corporation presents right-of-use assets within property, plant and equipment and lease liabilities separately in the interim consolidated statement of financial position.

The Corporation has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of twelve months or less and leases of low-value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Adoption
On January 1, 2019, the Corporation adopted IFRS 16 using the simplified transition approach, which means it applied the standard from January 1, 2019. The impacts of adoption on January 1, 2019 was as follows:

- Increased property, plant and equipment by $0.4 million;

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

- Increased lease liabilities by $0.4 million; and
- Increased deficit by $0.0 million.

Comparative figures were not restated. Right-of-use assets for property leases were measured on the transition date as if the new standard had been applied since the respective leases' commencement date but using the Corporation's incremental borrowing rate on January 1, 2019 of 10%. All other right-of-use assets were measured at the amount of the lease liability on adoption.

3. AMOUNTS RECEIVABLE AND PAYABLE

Amounts receivable consist of the following:

As at	**March 31, 2019**	December 31, 2018
Trade accounts receivable	**$1,111**	$1,472
Deposits	**5**	77
Prepaid expenses	**1,163**	1,473
Commodity taxes	**31**	88
	$2,310	$3,110

Accounts payable and accrued liabilities consist of the following:

As at	**March 31, 2019**	December 31, 2018
Trade accounts payable	**$8,791**	$4,747
Accrued liabilities	**5,174**	9,412
	$13,965	$14,159

4. INVENTORIES

Inventories consist of the following:

As at	**March 31, 2019**	December 31, 2018
Coarse gold, gold ore and gold in process	**$4,628** [1]	$3,974
Specimen stones	**2,269**	2,341
Supplies	**88**	127
Fuel	**34**	39
	$7,019	$6,481

[1] As at March 31, 2019, coarse gold, gold ore and gold in process comprises 4,162 ounces (December 31, 2018 – 6,806). The Corporation's high-grade coarse gold discovery of specimen stones from September 2018 comprises 4,792 ounces (Dec 31, 2018 – 4,944). Total number of ounces held at March 31, 2019 was 8,954 (December 31, 2018 – 11,750).

The Corporation's accounting policy with respect to inventories is to value the ounces held at the lower of cost and net realizable value.

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

5. INVESTMENT IN ASSOCIATES

The following table reflects the continuity of the Corporation's investments in associates:

	SPC	Orford	Dumont JV	Total
Balance as at January 1, 2019	$995	$3,329	$18,153	$22,477
Share of loss and comprehensive loss	(10)	(78)	(219)	(307)
Balance as at March 31, 2019	**$985**	**$3,251**	**$17,934**	**$22,170**

6. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Vehicles	Camp, Furniture & Equipment	Beta Hunt Mine - Gold	Beta Hunt Mine - Nickel	Under-ground Equipment	Mine Buildings	Total
As at January 1, 2019, as reported	**$10**	**$928**	**$591**	**$12,478**	**$4,682**	**$5,682**	**$159**	**$24,530**
IFRS 16 transition adjustment	-	-	11	-	-	274	138	423
As at January 1, 2019, as restated	10	928	602	12,478	4,682	5,956	297	24,953
Additions	739	31	20	6,121	-	6	249	7,166
Disposals	(9)	-	-	-	-	-	-	(9)
Foreign exchange	-	(13)	(8)	(165)	(66)	(81)	(4)	(337)
Depreciation for the period	(17)	(29)	(46)	(159)	-	(250)	(22)	(523)
As at March 31, 2019	**$723**	**$917**	**$568**	**$18,275**	**$4,616**	**$5,631**	**$520**	**$31,250**
At March 31, 2019								
Cost	$757	$1,129	$1,403	40,613	$5,421	$8,506	$588	$58,417
Accumulated depreciation	(34)	(212)	(835)	(22,338)	(805)	(2,875)	(68)	(27,167)
Net book value	**$723**	**$917**	**$568**	**$18,275**	**$4,616**	**$5,631**	**$520**	**$31,250**

7. LONG-TERM DEBT

Long-term debt comprises the following:

	RNC	SLM		
	IQ Loan	Secured Facilities		
Three months ended March 31, 2019	**(i)**	**(ii)**	**(iii)**	**Total**
Balance as at January 1, 2019	$444	$4,046	$-	$4,490
Additions	-	-	2,382	2,382
Repayments in cash	(30)	-	-	(30)
Accretion expense	-	161	37	198
Change due to foreign exchange translation	-	(82)	(2)	(84)
Balance as at March 31, 2019	**414**	**4,125**	**2,417**	**6,956**
Less current portion	120	4,125	2,417	6,662
Non-current portion	$294	$-	$-	$294

IQ Loan

(i) In 2017, the Corporation borrowed $0.5 million from Investissement Quebec ("IQ") with the following terms: (i) the Corporation is required to repay the loan by making 60 monthly principal re-payments in the amount of $10 each starting in February 2018; (ii) the loan expires in 2023; (iii) the rate of interest is based on prime plus 0.25%; (iv) qualifying expenses incurred until June 30, 2017; and (v) the loan is secured by a general security agreement granted by the Corporation over certain personal and intangible property.

SLM Secured Facilities

(ii) On December 14, 2018, SLM entered into an arrangement to borrow USD $2.9 million ($3.9 million) from Aurамet International LLC ("**Auramet**"). The facility is repayable on April 15, 2019 with an option to extend the delivery date for 30 days and the facility costs totalling USD $165 ($225) will be accreted over the four-month term to maturity. The facility is secured by gold specimens produced by the Beta Hunt mine representing 2,630 ounces of gold. This facility was extended to May 15, 2019 with the same terms and conditions.

(iii) On Feb 28, 2019, SLM entered into an arrangement to borrow USD $1.9 million ($2.4 million) from Auramet. The facility is repayable on or before April 30, 2019 with an option to extend 30 days and the facility costs totalling USD $55 ($73) will be accreted over the two-month term to maturity. The facility is secured by gold specimens produced by the Beta Hunt mine representing 1,370 ounces of gold. This facility was extended to May 31, 2019 with the same terms and conditions.

8. CONTRACT LIABILITIES

The Corporation has USD $7.0 million ($9.0 million) working capital facilities with Auramet which comprises a USD $5.5 million ($7.1 million) in-process gold facility and a USD $1.5 million ($1.9 million) in-process nickel facility. The gold facility is classified as a contract liability. As at March 31, 2019, there were 1,296 ounces (December 31, 2018 – 3,017 ounces) of gold outstanding with a value of $2.1 million (December 31, 2018 - $4.9 million). There was nil outstanding in respect of the nickel facility as at March 31, 2019 (December 31, 2018 – nil).

9. DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on the Corporation's specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in Level 2.

As at March 31, 2019, all of the Corporation's derivative financial instruments have been classified as Level 2 financial instruments according to the Corporation's fair value hierarchy. The fair value of these instruments is determined using discounted future cash flows based on forward metals curves and, in the case of options, the Black-Scholes method.

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

The Corporation did not apply hedge accounting on its outstanding derivatives. Therefore, changes in fair value are recorded in the interim consolidated statement of comprehensive loss on a mark to market basis and recorded in financial assets and financial liabilities. For the three months ended March 31, 2019, the table below summarizes the movements in derivative financial liabilities:

Three months ended March 31,	2019
Opening balance	($1,131)
Change due to foreign exchange	18
Net change in fair value of derivative instruments	424
Closing balance	($689)

The following table summarizes the outstanding derivative positions at March 31, 2019:

	Maturity		Statement of Financial Position Classification
SLM (Beta Hunt)	**Current**	**Total**	**Current Liabilities**
Gold call option sell contracts			
Ounces	6,025	**6,025**	
Average price per ounce (in AUD)	$1,750	**$1,750**	
Fair value of liability as at March 31, 2019	($495)	**($495)**	($495)
Gold forward sell contracts			
Ounces	2,787	**2,787**	
Average price per ounce (in AUD)	$1,750	**$1,750**	
Fair value of liability as at March 31, 2019	($194)	**($194)**	($194)
Total			**($689)**

10. SHARE CAPITAL

On March 26, 2019, the Corporation entered into a purchase option agreement (“**Purchase Option**”) with Westgold Resources Limited (“**Westgold**”) for its Higginsville Gold Operation (“**HGO**”). The Corporation made a non-refundable payment of 7,104,655 common shares of the Company valued at AUD $4.0 million ($3.8 million) which is accounted for as a derivative asset on the Corporation’s interim consolidated statement of financial position. The Purchase Option provided for an exclusive 40-day period to complete due diligence with closing to occur 30 days later if the Purchase Option is exercised.

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

On January 16, 2019, the Corporation closed a bought deal and concurrent private placement financing of a total of 19,565,000 common shares of the Corporation at a price of $0.46 per common share for aggregate gross proceeds of $9.0 million. The bought deal consisted of 13,044,000 common shares at a price of $0.46 for gross proceeds of $6.0 million. The private placement was completed on the basis of 6,521,000 common shares of the Company at a price of $0.46 per common share generating additional gross proceeds of $3.0 million. Issue costs totalling $1.4 million were incurred. In addition, 1,193,468 warrants were granted at an exercise price of $0.46 for two years. The warrants had an aggregate fair value of $0.3 million. The warrants were valued using the Black-Scholes option pricing model and using the following assumptions:

Share price	**$0.46**
Exercise price	**$0.46**
Risk free interest rate	**1.89%**
Expected life	**2.0 years**
Expected volatility	**124%**
Expected dividends	**nil**

On January 18, 2019, the underwriters of the January 16, 2019 bought deal exercised an over-allotment option for an additional 326,165 shares of the Corporation at $0.46 per common share for additional gross proceeds of $0.2 million.

11. WARRANTS AND COMPENSATION WARRANTS

The following tables reflect the continuity of warrants, and broker warrants for the three months ended March 31, 2019:

	Number of Warrants	Weighted Average Exercise Price
Balance as at January 1, 2019	-	$-
Granted (note 10)	1,193,468	$0.46
Exercised	(324,443)	$0.46
Balance as at March 31, 2019	**869,025**	**$0.46**

12. SHARE INCENTIVE PLANS

Share Purchase Options

During the three months ended March 31, 2019, 3,615,000 share options were granted and had a fair value of $0.46, as estimated at the time of each grant. The fair value of options granted was calculated using the Black-Scholes option pricing model and using the following assumptions:

As at March 31	**2019**
Number of options granted	**3,615,000**
Share price	**$0.66**
Exercise price	**$0.66**

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

Risk free interest rate	**1.76%**
Expected life	**3.6 years**
Expected volatility	**105%**
Expected dividends	**nil**

The following table reflects the continuity of share purchase options for the three-month period ended March 31, 2019:

	Number of Options	Weighted Average Exercise Price
Balance as at January 1, 2019	33,106,978	$0.34
Granted	3,615,000	0.66
Exercised	(1,546,664)	0.30
Forfeited	(15,000)	1.14
Expired	(414,647)	1.29
Balance as at March 31, 2019	**34,745,667**	**$0.36**

As at March 31, 2019, the Corporation had the following share purchase options outstanding:

	Options Outstanding			Options Exercisable		
Exercise Price Range	Number of Options	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Options	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$0.09–$0.24	11,066,000	3.60	$0.22	9,113,996	3.55	$0.21
$0.25–$0.99	23,449,667	2.78	$0.42	19,168,000	2.32	$0.37
$2.00–$2.50	230,000	1.63	$1.51	230,000	1.63	$1.51
	34,745,667	**3.03**	**$0.36**	**28,511,996**	**2.71**	**$0.33**

Deferred Share Units

As at March 31, 2019, all 959,343 deferred share units were vested. The weighted average exercise price of the deferred share units is nil.

Restricted Share Units

During the three-month period ended March 31, 2019, 321,835 restricted share units were granted, all of which vested immediately.

During the three-month period ended March 31, 2019, 2,089,098 restricted share units were redeemed for cash at a weighted average redemption price of $0.62 per unit for a total cash payment of $1.3 million and the remaining 578,959 restricted share units were redeemed for common shares of the Corporation.

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

The following tables reflect the continuity of restricted share units for the three-month period ended March 31, 2019:

	Number of Restricted Share Units
Balance as at January 1, 2019	9,886,419
Granted	321,835
Exercised - shares	(578,959)
Exercised - cash	(2,089,098)
Balance as at March 31, 2019	**7,540,197**

Included in the 7,540,197 restricted share units outstanding as at March 31, 2019, there are 4,272,647 units that can only be settled for cash.

As at March 31, 2019, the weighted average remaining contractual life of the outstanding restricted share units was 1.4 years and all restricted share units were vested.

Share Appreciation Rights

During 2019, 520,000 share appreciation rights were exercised. As at March 31, 2019, there were 182,000 share appreciation rights outstanding (December 31, 2018 – 702,000).

	Number of SARs
Balance as at January 1, 2019	702,000
Exercised	(520,000)
Balance as at March 31, 2019	**182,000**

Share appreciation rights totalling 520,000 were settled on their expiry date of January 22, 2019.

The fair value of the share appreciation rights outstanding at the end of the period, as estimated as at March 31, 2019, was $0.37 (December 31, 2018 - $0.35). These calculations used the Black-Scholes option pricing model, using the following assumptions:

For the three months ended March 31,	2019
Share price	$0.51
Base price	$0.40
Risk free interest rate	1.53%
Expected life	3.7 years
Expected volatility	105%
Expected dividends	nil

The remaining contractual life of the outstanding share appreciation rights is 3.7 years

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

13. GENERAL AND ADMINISTRATIVE EXPENSES

For the three months ended March 31,	**2019**	2018
General and administrative: share-based payments	**$833** [1]	$ 1,306
Expense by nature:		
Salaries, wages and benefits	**$882**	$435
Professional fees	**166**	102
Consulting fees	**88**	123
Directors' fees	**80**	-
Public company expenses	**64**	82
Office and general	**213**	265
Conference and travel	**115**	52
Investor relations	**240**	276
Business development	**16**	23
Depreciation and amortization	**22**	27
General and administrative: other	**$1,886**	$1,385

[1]Primarily mark-to-market adjustments on restricted share units, deferred share units and share appreciation rights, as well as the amortization of options during the year.

14. LOSS PER SHARE

For the three months ended March 31,	**2019**	2018
Loss attributable to RNC shareholders	**$(3,289)**	$(12,402)
Weighted average number of common shares	**464,713,716**	352,933,176
Loss per share attributable to RNC shareholders – basic and diluted	**$(0.01)**	$(0.04)

The effect of potential issuances of shares under stock options, warrants, deferred share units, convertible debentures and restricted share units would be anti-dilutive for the three months ended March 31, 2019 and 2018, and accordingly, basic and diluted loss per share are the same.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities approximate their fair values due to their relatively short periods to maturity. Derivative financial instruments are recorded at fair value at the end of each reporting period.

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

As at	**March 31, 2019**		December 31, 2018	
Financial liabilities at amortized cost	**Carrying value**	**Fair Value**	Carrying value	Fair Value
IQ Loan (note 7) (level 2)	**$414**	**$414**	$444	$444
SLM Secured Facility (note 7) (level 2)	**4,125**	**4,125**	4,046	4,046
SLM Secured Facility (note 7) (level 2)	**2,417**	**2,417**	-	-

16. OTHER EXPENSES, NET

Three months ended March 31, 2019	**2019**	2018
RNC		
Share of loss (gain) of associates	**$307**	$(39)
Accretion expense	**-**	775
Loss on other investment	**-**	17
Change in fair value – embedded derivative (realized)	**-**	1,295
SLM (Beta Hunt)		
Change in fair value – derivative financial instruments	**60**	1,276
Accretion expense - debt	**198**	464
Loss of reclassification of deferred revenue	**-**	1,692
Other finance costs	**108**	708
VMS (Reed)		
Change in fair value – derivative financial instruments	**1**	(641)
Gain on sale of mineral property interests	**(270)**	-
Other		
Foreign exchange loss (gain)	**1,164**	(193)
Finance and other expense	**(6)**	516
	$1,562	$5,870

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

17. SUPPLEMENTAL CASH FLOW INFORMATION

Other expenses (income)

For the three months ended March 31,	**2019**	2018
Share of loss (gain) in associates	**$307**	$(39)
Derivative financial instruments	**(442)**	(179)
Loss on disposal of PPE	**9**	-
Accretion - asset retirement obligations	**4**	11
Accretion - finance lease obligations	**20**	-
Gain on sale of mineral property interests	**(270)**	17
Accretion, long-term debt	**198**	1,239
Other	**-**	225
	$(174)	$1,274

Other supplemental information

For the three months ended March 31,	**2019**	2018
Interest received	**$7**	$87
Interest paid	**22**	458
Share-based payments in mineral property interests	**-**	18
Depreciation of property, plant and equipment in mineral property interests	**-**	21
Property, plant and equipment in accounts payable and accrued liabilities	**2,199**	112

(Expressed in thousands of Canadian dollars, unless otherwise indicated)

18. SEGMENTED INFORMATION

The Corporation has interests in exploration and evaluation activities in Canada, and production activities in Australia.

For the three months ended March 31, 2019

	Beta Hunt Gold Mine Australia	Beta Hunt Nickel Mine Australia	Reed Copper Mine Canada	Corporate and other exploration Canada	Total
Revenues	$10,836	-	$27	-	$10,863
Production & toll-processing	8,007	252	-	-	8,259
Royalty expense	1,109	-	-	-	1,109
Depreciation and amortization	493	10	-	-	503
General and administrative: share-based payments	-	-	-	833	833
General and administrative: other	343	-	25	1,518	1,886
Operating (loss) income	$884	($262)	$2	($2,351)	($1,727)
As at March 31, 2019					
Property, plant and equipment	$25,858	$4,616	-	$776	$31,250
Total assets	35,025	4,616	189	27,834	67,664
As at December 31, 2018					
Property, plant and equipment	$19,792	$4,682	-	$56	$24,530
Total assets	29,410	4,682	78	23,842	58,012

For the three months ended March 31, 2018

	Magneto JV Canada	Beta Hunt Mine Gold Australia	Beta Hunt Nickel Mine Nickel Australia	Reed Mine Copper Canada	Orford Canada	Corporate and other exploration Canada	Total
Revenues	-	$13,452	$1,696	$6,277	-	-	$21,425
Production & toll-processing	-	17,524 [1]	1,871	1,241	-	-	20,636
Royalty expense	-	1,398	143	-	-	-	1,541
Depreciation and amortization	-	463	101	2,814	-	-	3,378
General and administrative: share-based payments	-	-	-	-	-	1,306	1,306
General and administrative	33	28	4	65	267	988	1,385
Operating (loss) income	($33)	($5,961)	($423)	$2,157	($267)	($2,294)	($6,821)

1 Includes $4,041 in respect of capital-related costs incurred in the first quarter of 2018.

19. SUBSEQUENT EVENTS

On May 13 2019, RNC announced that it had exercised the previously-announced (see RNC news release dated March 26, 2019) purchase option to acquire the HGO from Westgold. On closing, RNC will pay Westgold AUD $25.0 million in cash and AUD $21.0 million in RNC shares (satisfied by the issuance of 49,811,364 million RNC common shares), for total consideration of AUD $50.0 million (including the AUD $4.0 million deposit previously satisfied in RNC shares). RNC expects to finance the cash component of the purchase price with cash on hand and additional non-dilutive capital. The acquisition is expected to close on or about June 10, 2019.

On May 8, 2019 the Corporation extended the purchase option agreement entered into with Westgold to May 12, 2019 to allow time to settle definitive documentation and confirm the exercise of the option.

On April 18, 2019 the Corporation closed a bought deal announced on March 26, 2019. The agreement provided the underwriters with 24,290,000 common shares of the Corporation at a price of $0.49 per common share for gross proceeds to the Corporation of $12.0 million.