ROYAL NICKEL CORPORATION

(Doing business as RNC Minerals)

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Six Months Ended June 30, 2019 and 2018

(in millions of Canadian dollars)

Royal Nickel Corporation

TABLE OF CONTENTS

Royal Nickel Corporation

Interim Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars)
(Unaudited)

As at	June 30, 2019 $	December 31, 2018 $
ASSETS		
Current assets		
Cash and cash equivalents	**8,844**	1,340
Marketable securities	**270**	-
Amounts receivable (note 4)	**7,306**	3,110
Inventories (note 5)	**22,600**	6,481
Assets held for sale	**26**	26
	39,046	10,957
Non-current assets		
Investment in associates (note 6)	**21,973**	22,477
Property, plant and equipment (note 7)	**76,917**	24,530
Mineral property interest (note 8)	**15,795**	-
Other non-current assets	**56**	48
Total assets	**153,787**	58,012
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 4)	**25,104**	14,159
Share incentive plans	**5,376**	5,205
Current portion of long-term debt (note 9)	**10,120**	4,166
Contract liabilities (note 10)	**2,443**	4,904
Current portion of derivative financial liabilities (note 11)	**3,661**	1,131
Asset retirement obligations (note 15)	**96**	92
Leases	**516**	292
	47,316	29,949
Non-current liabilities		
Asset retirement obligations	**21,269**	845
Long-term debt (note 9)	**23,922**	324
Leases	**829**	-
Deferred tax liability	**579**	-
Other non-current liabilities and provisions	**686**	773
Total liabilities	**94,601**	31,891
EQUITY		
Share capital	**245,006**	196,094
Contributed surplus	**29,053**	28,709
Accumulated other comprehensive income	**5,160**	1,863
Deficit	**(220,033)**	(200,545)
Total equity	**59,186**	26,121
Total liabilities and equity	**153,787**	58,012

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

Going concern (note 1)

Royal Nickel Corporation

Interim Consolidated Statements of Comprehensive Loss

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

	Three months ended,		Six months ended,	
For the periods ended June 30,	**2019**	2018	**2019**	2018
	$	$	**$**	$
Revenue	**17,249**	31,872	**28,112**	53,297
Cost of operations:				
Production and toll-processing costs	**16,120**	23,609	**24,379**	44,245
Royalty expense	**1,439**	2,076	**2,548**	3,617
General and administrative: share-based payments (note 13)	**1,634**	(814)	**2,467**	492
General and administrative: other (note 13)	**4,544**	1,419	**6,430**	2,804
Depreciation and amortization	**1,046**	3,301	**1,549**	6,679
Operating earnings (loss)	**(7,534)**	2,281	**(9,261)**	(4,540)
Other expenses, net (note 17)	**(8,539)**	(2,899)	**(10,101)**	(8,769)
Loss before income tax	**(16,073)**	(618)	**(19,362)**	(13,309)
Income tax expense	**(104)**	(513)	**(104)**	(371)
Net loss for the period	**(16,177)**	(1,131)	**(19,466)**	(13,680)
Attributable to:				
RNC shareholders	**(16,177)**	(1,027)	**(19,466)**	(13,429)
Non-controlling interests	**-**	(104)	**-**	(251)
Other comprehensive loss for the period:				
Currency translation adjustments	**(2,307)**	(1,369)	**(3,297)**	(648)
Comprehensive loss for the period	**(18,484)**	(2,500)	**(22,763)**	(14,328)
Attributable to:				
RNC shareholders	**(18,484)**	(2,396)	**(22,763)**	(14,077)
Non-controlling interests	**-**	(104)	**-**	(251)
Loss per share - basic and diluted	**(0.03)**	(0.00)	**(0.04)**	(0.04)

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

Royal Nickel Corporation

Interim Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars)
(Unaudited)

	Three months ended		Six months ended	
For the periods ended June 30,	**2019** **$**	2018 $	**2019** **$**	2018 $
Cash flow provided by (used in)				
OPERATING ACTIVITIES				
Net loss for the year	**(16,177)**	(1,131)	**(19,466)**	(13,680)
Net change in contract liabilities	**317**	(1,790)	**(2,461)**	4,156
Items not involving cash:				
Depreciation and amortization	**1,120**	3,418	**1,645**	6,894
Deferred income tax recovery	**-**	213	**-**	71
Other expenses (income) (note 18)	**3,337**	(2,631)	**3,163**	(1,357)
Shares issued for consulting services	**249**	169	**249**	539
Share-based payments	**1,500**	(814)	**858**	492
Foreign exchange loss	**3,431**	2,582	**4,655**	2,762
	(6,223)	16	**(11,357)**	(123)
Changes in working capital				
Amounts receivable and prepaid expenses	**(4,229)**	(2,306)	**(3,435)**	(1,231)
Inventories	**(1,622)**	(483)	**(2,160)**	(4,405)
Accounts payable and accrued liabilities	**5,744**	(6,138)	**5,104**	(7,201)
	(6,330)	(8,911)	**(11,848)**	(12,960)
INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	**(2,870)**	(39)	**(8,852)**	(314)
Expenditures on mineral property interests	**(705)**	(1,363)	**(705)**	(2,205)
Acquisition of HGO, net of cash acquired	**(21,597)**	-	**(21,597)**	73
	(25,172)	(1,402)	**(31,154)**	(2,446)
FINANCING ACTIVITIES				
Issuance of shares, net of costs	**10,840**	-	**18,967**	1,600
Issuance of debt, net of costs	**34,360**	-	**36,742**	-
Repayments of debt	**(6,589)**	(2,861)	**(6,619)**	(4,030)
Private placement - Orford	**-**	-	**-**	483
Proceeds from exercise of options and warrants	**1,099**	169	**1,713**	201
Payments on leases (2018: finance leases)	**(116)**	(167)	**(297)**	(264)
	39,594	(2,859)	**50,506**	(2,010)
Change in cash and cash equivalents	**8,092**	(13,172)	**7,504**	(17,416)
Cash and cash equivalents, beginning of period	**752**	20,156	**1,340**	24,400
Cash and cash equivalents, end of period	**8,844**	6,984	**8,844**	6,984
Components of cash and cash equivalents:				
Cash	**8,736**	943	**8,736**	943
Cash equivalents	**108**	1,260	**108**	1,260
Restricted cash	**-**	4,781	**-**	4,781
	8,844	6,984	**8,844**	6,984

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

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
Shares issued for consulting services	517,172	249	-	-	-	249	-	249
Shares issued for debt issue costs (note 9)	1,464,436	700	-	-	-	700	-	700
Bought deal and overallotment – January 2019 (note 12)	13,370,165	6,150	-	-	-	6,150	-	6,150
Private placement - January 2019 (note 12)	6,521,000	3,000	-	-	-	3,000	-	3,000
Private placement - April 2019 (note 12)	24,490,000	12,000	-	-	-	12,000	-	12,000
HGO acquisition - purchase option (notes 3 and 12)	7,104,655	3,815	-	-	-	3,815	-	3,815
HGO acquisition - share issue (notes 3 and 12)	49,811,364	23,038	-	-	-	23,038	-	23,038
Settlement of RSUs	693,487	272	-	-	-	272	-	272
Exercise of warrants	667,279	516	(199)	-	-	317	-	317
Exercise of stock options	5,131,663	2,152	(756)	-	-	1,396	-	1,396
Issue costs	-	(2,183)	-	-	-	(2,183)	-	(2,183)
Issue costs - warrants	-	(797)	797	-	-	-	-	-
Share-based payments	-	-	502	-	-	502	-	502
Loss for the period	-	-	-	-	(19,466)	(19,466)	-	(19,466)
Other comprehensive income	-	-	-	3,297	-	3,297	-	3,297
Balance as at June 30, 2019	**556,083,313**	**245,006**	**29,053**	**5,160**	**(220,033)**	**59,186**	**-**	**59,186**

	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	2,263,450	539	-	-	-	539	-	539
Shares issued in settlement of debt financing	8,906,460	1,514	-	-	-	1,514	-	1,514
Private placement – common shares	10,400,000	1,712	-	-	-	1,712	-	1,712
Shares issued in settlement of accounts payable	35,531,562	5,685	-	-	-	5,685	-	5,685
Private placement - Orford	-	-	-	-	-	-	1,195	1,195
Settlement of RSUs	-	33	-	-	-	33	-	33
Exercise of stock options	1,286,784	201	-	-	-	201	-	201
Change in minority interest	-	-	-	-	(235)	(235)	783	548
Share-based payments	-	-	1,202	-	-	1,202	-	1,202
(Loss) earnings for the period	-	-	-	-	(13,429)	(13,429)	(251)	(13,680)
Other comprehensive loss	-	-	-	648	-	648	-	648
Balance as at June 30, 2018	**366,294,904**	**173,842**	**30,070**	**875**	**(205,935)**	**(1,148)**	**11,659**	**10,511**

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 and six-month periods ended June 30, 2019 comprise RNC and its subsidiaries, Salt Lake Mining Pty Ltd. ("**SLM**"), VMS Ventures Inc. ("**VMS**") and the Higginsville Gold Operation ("**HGO**"). 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 assets are: 1) its 100% interest in the Beta Hunt Mine ("**Beta Hunt**"), a gold producing operation located in Western Australia which is held through SLM; and 2) its 100% interest in the HGO toll processing and gold mining operation which is also located in Western Australia (note 3). 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 has a 27% equity interest in Orford which holds the Qiqavik and West Raglan exploration projects in Nunavik. The Corporation also owns a 100% interest in VMS, which formerly owned 27% of the Reed Mine, located in Manitoba.

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 June 30, 2019, the Corporation had negative working capital of $8.3 million, an accumulated deficit of $220.0 million and had a net loss of $19.5 million for the six-month period then ended. Working capital included cash and cash equivalents of $8.8 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 and Higginsville operations 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 August 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 $0.7 million;
- Increased lease liabilities by $0.7 million; and
- Increased deficit by $0.0 million.

The following table provides a reconciliation between operating lease commitments as at December 31, 2018 applying IAS 17 and the lease liabilities recognized as at January 1, 2019, applying IFRS 16:

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

Operating lease commitments as per IAS 17 as at December 31, 2018	$ 1,140
Adjustment to discount using the Corporation's incremental borrowing rate	(178)
Lease which was committed in 2018 and commenced in 2019	(744)
Exemption for short-term and low-value leases	(59)
Extension options reasonably certain to be exercised	305
Finance leases recognized on IAS 17	292
Lease liability as at January 1, 2019	$ 756

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. HGO ACQUISITION

On June 10, 2019, the Corporation acquired 100% of the shares of HGO from Westgold Resources Limited ("**Westgold**"). The acquisition provides the Corporation with additional production, cash-flow and an ore processing facility. Since the date of acquisition of control, the results from operations are consolidated in the statement of comprehensive loss.

In accordance with IFRS 3, *Business Combinations*, a business combination is a transaction in which an acquirer obtains control of a business which is defined as an integrated set of activities and assets that is capable of being conducted and managed to provide a return to investors. For an integrated set of activities and assets to be considered a business, the set needs to contain inputs and processes and have the ability to generate outputs. In the opinion of management, the acquisition of HGO meets the definition of a business combination and as such has accounted for it in accordance with this standard.

The net purchase price was $48.9 million. Prior to the acquisition date, the Corporation had entered into a non-refundable purchase option upon the issuance of 7.1 million shares which was initially valued at $3.8 million (AUD $4.0 million) on March 26, 2019. The option provided the Corporation with an exclusive period of time to perform due diligence. Upon completion of due diligence, the Corporation exercised the purchase option at which time the option was valued at $3.7 million (AUD$4.0 million). Upon closing, the Corporation issued an additional 49.8 million shares to Westgold valued at $23.0 million and paid cash of $22.2 million, net of certain employee obligations and a working capital adjustment. The Corporation discounted the share consideration by 7.5% due to a holding period restriction on the shares. The table below summarizes the net purchase price.

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

Purchase price		
Cash	$	23,098
Purchase option		3,695
Share issue costs		62
Common shares issued (note 12)		23,038
Employee obligations assumed		(850)
Working capital adjustments		(139)
Purchase consideration	$	48,904

The total purchase price was preliminarily allocated to the acquired assets and liabilities based on their relative fair values at the closing date of the transaction. The final determination of the fair value allocation will be completed after asset and liability valuations are finalized within one year of the acquisition date. The fair value was primarily allocated between the property, plant and equipment, mineral property interests and ore processing facilities based on discounted cash flows over the projection period using expected future cash flows. Expected future cash flows are based on estimates of future production and commodity prices, operating costs and forecasted capital expenditures based on the respective life of the facilities and mine plans as at the acquisition date. Below is a summary of the acquired assets and liabilities at their respective fair values.

Fair value of net assets acquired		**Value**
Cash and cash equivalents	$	574
Amounts receivable		467
Inventories		13,959
Property, plant and equipment		46,377
Mineral property interests		15,008
Amounts payable		(6,327)
Asset retirement obligation		(20,571)
Deferred tax liability		(579)
Other non-current liablities and provisions		(4)
Purchase consideration	$	48,904

Acquisition costs of $2.6 million were incurred in connection with the acquisition of HGO and were included in general and administrative expenses. The Corporation’s consolidated financial statements include $2.6 million in revenues and a net loss of $2.4 million from HGO for the period from June 10, 2019 to June 30, 2019.

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

4. AMOUNTS RECEIVABLE AND PAYABLE

Amounts receivable consist of the following:

As at	**June 30, 2019**	December 31, 2018
Trade accounts receivable	**5,323**	$1,472
Deposits	**5**	77
Prepaid expenses	**1,585**	1,473
Commodity taxes	**393**	88
	$7,306	$3,110

Accounts payable and accrued liabilities consist of the following:

As at	**June 30, 2019**	December 31, 2018
Trade accounts payable	**$17,083**	$4,747
Accrued liabilities	**8,021**	9,412
	$25,104	$14,159

5. INVENTORIES

Inventories consist of the following:

As at	**June 30, 2019**	December 31, 2018
Coarse gold, gold ore and gold in process	**$17,108** [1]	$3,974
Specimen stones	**1,989**	2,341
Stores and spares	**3,452**	127
Fuel	**51**	39
	$22,600	$6,481

[1] As at June 30, 2019, coarse gold, gold ore and gold in process comprises 16,649 ounces (December 31, 2018 – 6,806). The Corporation's high-grade coarse gold discovery of specimen stones from September 2018 comprises 4,201 ounces (Dec 31, 2018 – 4,944). Total number of ounces held at June 30, 2019 was 20,850 (December 31, 2018 – 11,750).

6. 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	(37)	(167)	(286)	(490)
Loss on dilution of associate	-	(14)	-	(14)
Balance as at June 30, 2019	**$958**	**$3,148**	**$17,867**	**$21,973**

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

7. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Vehicles	Camp, Furniture & Equipment	Beta Hunt Mine - Gold	Beta Hunt Mine - Nickel	Equipment	Mine and Mill Facilities	Total
As at January 1, 2019, as reported	**$10**	**$928**	**$591**	**$12,478**	**$4,682**	**$5,682**	**$159**	**$24,530**
IFRS 16 transition adjustment	307	-	11	-	-	274	138	730
As at January 1, 2019, as restated	317	928	602	12,478	4,682	5,956	297	25,260
Acquisition of HGO (note 3)	-	693	796	-	-	750	44,138	46,377
Additions	748	31	24	6,830	-	818	246	8,697
Disposals	(9)	-	-	-	-	(204)	-	(213)
Foreign exchange	-	(46)	(29)	(697)	(217)	(260)	(314)	(1,563)
Depreciation for the period	(87)	(62)	(99)	(330)	(38)	(472)	(553)	(1,641)
As at June 30, 2019	**$969**	**$1,544**	**$1,294**	**$18,281**	**$4,427**	**$6,588**	**$43,814**	**$76,917**
At June 30, 2019								
Cost	$1,073	$1,782	$2,167	23,916	$8,158	$9,591	$44,410	$91,097
Accumulated depreciation	(104)	(238)	(873)	(5,635)	(3,731)	(3,003)	(596)	(14,180)
Net book value	**$969**	**$1,544**	**$1,294**	**$18,281**	**$4,427**	**$6,588**	**$43,814**	**$76,917**

8. MINERAL PROPERTY INTERESTS

Balance as at January 1, 2019	$-
Acquisition of HGO (note 3)	15,008
Property acquisition and maintenance	852
Depreciation	(43)
Exploration	79
Foreign exchange translation	(101)
Balance as at June 30, 2019	$15,795

9. LONG-TERM DEBT

Long-term debt comprises the following:

	RNC IQ Loan	RNC Bridge	RNC Revolver	SLM Secured Facilities		
Six months ended June 30, 2019	**(i)**	**(ii)**	**(ii)**	**(iii)**	**(iii)**	**Total**
Balance as at January 1, 2019	$444	$-	$-	$4,046	$-	$4,490
Additions	-	25,000	10,000	-	2,382	37,382
Issue costs	-	(1,390)	-	-	-	(1,390)
Repayments	(60)	-	-	(4,111)	(2,448)	(6,619)
Accretion expense	-	48	-	188	69	305
Change due to foreign exchange translation	-	-	-	(123)	(3)	(126)
Balance as at June 30, 2019	**384**	**23,658**	**10,000**	**-**	**-**	**34,042**
Less current portion	120	-	10,000	-	-	10,120
Non-current portion	$264	$23,658	$-	$-	$-	$23,922

(i) IQ Loan

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.

(ii) Bridge and Revolver Facilities

Concurrent with the acquisition of HGO, the Corporation secured two facilities with a corporate lender being a bridge facility in the amount of $25 million ("**Bridge**") and a revolving facility in the amount of $10 million ("**Revolver**"). The Bridge has a term up to 18 months which is repayable without penalty at 12 months. The facility does not require repayment of principal until the expiry of the term and bears interest at a rate of 10% per annum paid monthly. Issue costs totalling $1.4 million are accreted over the eighteen-month term of the Bridge.

The Revolver has an initial term of 12 months, extendible for a further six months for no additional fee. The facility does not require repayment of principal until the expiry of the term, and bears interest at a rate of 10% per annum paid monthly. Repayments can be made throughout the term of the facility with no penalty.

In addition to cash, issue costs for the combined facilities included the issuance of 1.5 million shares at a value of $0.7 million.

(iii) SLM Secured Facilities

On December 14, 2018, SLM entered into an arrangement to borrow USD $2.9 million ($3.9 million) from Auramet International LLC ("**Auramet**"). The facility was repayable on April 15, 2019 with an option to extend the delivery date for 30 days and the facility costs were accreted over the four-month term to maturity. The facility was 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.

On Feb 28, 2019, SLM entered into an arrangement to borrow USD $1.9 million ($2.4 million) from Auramet. The facility was repayable on or before April 30, 2019 with an option to extend 30 days and the facility costs were accreted over the two-month term to maturity. The facility was 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.

The SLM facilities were both fully repaid during the second quarter of 2019.

10. CONTRACT LIABILITIES

The Corporation has a USD $5.0 million ($6.5 million) in-process gold facility with Auramet. The gold facility is classified as a contract liability. As at June 30, 2019, there were 1,533 ounces (December 31, 2018 – 3,017 ounces) of gold outstanding with a value of $2.4 million (December 31, 2018 - $4.9 million).

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

11. 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 June 30, 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.

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 six months ended June 30, 2019, the table below summarizes the movements in derivative financial liabilities:

Six months ended June 30,	2019
Balance as at January 1, 2019	($1,131)
Change due to foreign exchange	101
Net change in fair value of derivative instruments	(2,631)
Balance as at June 30, 2019	**($3,661)**

The following table summarizes the outstanding derivative positions at June 30, 2019:

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

	Maturity		Statement of Financial Position Classification
SLM (Beta Hunt)	**Current**	**Total**	**Current Liabilities**
Gold call option sell contracts			
Ounces	29,025	**29,025**	
Average price per ounce (in AUD)	$1,915	**$1,915**	
Fair value of liability as at June 30, 2019	($3,650)	**($3,650)**	($3,650)
Gold put option buy contracts			
Ounces	26,000	**26,000**	
Average price per ounce (in AUD)	$1,834	**$1,834**	
Fair value of asset as at June 30, 2019	$331	**$331**	$331
Gold forward sell contracts			
Ounces	5,116	**5,116**	
Average price per ounce (in AUD)	$1,837	**$1,837**	
Fair value of liability as at June 30, 2019	($817)	**($817)**	($817)
Gold forward buy contracts			
Ounces	2,000	**2,000**	
Average price per ounce (in AUD)	$1,750	**$1,750**	
Fair value of asset as at June 30, 2019	$475	**$475**	$475
Total			**($3,661)**

12. SHARE CAPITAL

On June 10, 2019, the Corporation closed the acquisition of the HGO from Westgold. As part of the consideration (note 3), upon closing, the Corporation issued 49,811,364 shares valued at $23.0 million, net of issue costs.

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

On April 18, 2019, the Corporation closed a bought deal financing of 24,490,000 shares at a price of $0.49 per share for gross proceeds of $12 million. The financing was underwritten on a bought deal basis by a syndicate of underwriters. In connection with the financing, the Corporation granted the underwriters an over-allotment option, exercisable at the issue price for a period of 30 days following the closing to purchase up to an additional 3.7 million shares (representing 15% of the shares offered pursuant to the financing) to cover over-allotments, if any, or for market stabilization purposes. In addition, 1.5 million warrants were granted at an exercise price of $0.49 for two years. The warrants had an aggregate fair value of $0.5 million which were accounted for as issue costs. The warrants were valued using the Black-Scholes option pricing model and using the following assumptions:

Share price	**$0.49**
Exercise price	**$0.49**
Risk free interest rate	**1.61%**
Expected life	**2.0 years**
Expected volatility	**125%**
Expected dividends	**nil**

On March 26, 2019, the Corporation entered into a purchase option agreement ("**Purchase Option**") with Westgold for HGO. The Corporation made a non-refundable payment of 7,104,655 shares valued at AUD $4.0 million ($3.8 million) which was initially 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. The option was exercised and the fair value formed part of the purchase consideration referenced in note 3.

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 additional common shares 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 which were accounted for as issue costs. 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.

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

13. GENERAL AND ADMINISTRATIVE EXPENSES

For the periods ended June 30,	Three months ended,		Six months ended,	
	2019	2018	**2019**	2018
General and administrative: share-based payments	**$1,634** [1]	($814)	**$2,467** [1]	$ 492
Expense by nature:				
Salaries, wages and benefits	**367**	502	**1,249**	937
Directors' fees	**62**	-	**142**	-
Professional fees	**304**	365	**470**	467
Consulting fees	**21**	101	**109**	224
Public company expenses	**95**	61	**159**	143
Office and general	**416**	268	**629**	533
Conference and travel	**127**	31	**242**	83
Investor relations	**412**	(76)	**652**	200
Business development	**22**	140	**38**	163
Acquisition costs	**2,644**	-	**2,644**	-
Depreciation and amortization	**74**	27	**96**	54
General and administrative: other	**$4,544**	$1,419	**$6,430**	$ 2,804

[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 periods.

14. LOSS PER SHARE

	Three months ended,		Six months ended,	
For the periods ended June 30,	**2019**	2018	**2019**	2018
Loss attributable to RNC shareholders	**$(16,177)**	$(1,027)	**$(19,466)**	$(13,429)
Weighted average number of common shares	**505,381,867**	362,150,334	**486,812,516**	357,548,866
Loss per share attributable to RNC shareholders – basic and diluted	**$(0.03)**	$(0.00)	**$(0.04)**	$(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 and six month periods ended June 30, 2019 and 2018, and accordingly, basic and diluted loss per share are the same.

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

15. ASSET RETIREMENT OBLIGATIONS

Balance as at January 1, 2019	$937
Acquisition of HGO (note 3)	20,571
Change in foreign exchange	(176)
Accretion	33
Balance as at June 30, 2019	$21,365
Current portion	96
Non-current portion	$21,269

16. 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.

As at	**June 30, 2019**		December 31, 2018	
Financial liabilities at amortized cost	**Carrying value**	**Fair Value**	Carrying value	Fair Value
IQ Loan (note 9) (level 2)	**$384**	**$384**	$444	$444
Bridge Facility (note 9) (Level 2)	**23,658**	**23,658**	-	-
Revolver Facility (note 9) (Level 2)	**10,000**	**10,000**	-	-
SLM Secured Facility (note 9) (level 2)	**-**	**-**	4,046	4,046

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

17. OTHER EXPENSES, NET

For the periods ended June 30, 2019	Three months ended,		Six months ended,	
	2019	2018	**2019**	2018
RNC				
Share of loss (gain) of associates	**$197**	$5	**$504**	$(34)
Accretion expense	**90**	680	**90**	1,455
Loss on other investment	**-**	-	**-**	17
Change in fair value – embedded derivative (realized)	**-**	(2,110)	**-**	(815)
SLM (Beta Hunt)				
Change in fair value – derivative financial instruments	**3,701**	231	**3,761**	1,507
Accretion expense	**70**	442	**268**	906
Loss of reclassification of deferred revenue	**-**	-	**-**	1,692
Other finance costs	**(10)**	2,117	**98**	2,825
VMS (Reed)				
Change in fair value – derivative financial instruments	**-**	(336)	**1**	(977)
Gain on sale of mineral property interests	**-**	-	**(270)**	-
Other				
Foreign exchange loss (gain)	**3,844**	1,968	**5,008**	1,775
Finance and other expense	**647**	(98)	**641**	418
	$8,539	$2,899	**$10,101**	$8,769

18. SUPPLEMENTAL CASH FLOW INFORMATION

Other expenses (income)

	Three months ended,		Six months ended,	
For the periods ended June 30,	**2019**	2018	**2019**	2018
Share of loss in associates	**$197**	$4	**$504**	$(35)
Derivative financial instruments	**2,972**	(3,668)	**2,530**	(3,847)
Loss (gain) on disposals	**(9)**	-	**-**	17
Accretion - asset retirement obligations	**29**	15	**33**	26
Accretion - finance lease obligations	**41**	-	**61**	-
Gain on sale of mineral property interests	**-**	-	**(270)**	-
Accretion, long-term debt	**107**	925	**305**	2,164
Other	**-**	93	**-**	318
	$3,337	$(2,631)	**$3,163**	$(1,357)

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

Other supplemental information

For the periods ended June 30,	**2019**	2018
Interest received	**$15**	$87
Interest paid	**276**	458
Share-based payments in mineral property interests	**-**	18
Depreciation of property, plant and equipment in mineral property interests	**-**	21
Mineral property interests in accounts payable and accrued liabilites	**1,045**	-
Property, plant and equipment in accounts payable and accrued liabilities	**909**	112

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

19. SEGMENTED INFORMATION

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

For the three months ended June 30, 2019

	Beta Hunt Gold Mine Australia	Beta Hunt Nickel Mine Australia	HGO Gold Mine/Mill Australia	Reed Copper Mine Canada	Intersegment Elimination (1)	Corporate and other exploration Canada	Total
Revenues	$14,619	$1,172	$2,582	$-	$(1,124)	$-	$17,249
Production & toll-processing	12,737	313	4,194	-	(1,124)	-	16,120
Royalty expense	1,307	132	-	-	-	-	1,439
Depreciation and amortization	523	6	517	-	-	-	1,046
General and administrative: share-based payments	-	-	-	-	-	1,634	1,634
General and administrative: other	264	28	49	23	-	4,180	4,544
Operating (loss) income	($212)	$693	($2,178)	($23)	-	($5,814)	($7,534)

1) Eliminates the revenues of HGO in respect of toll processing services provided to Beta Hunt Gold Mine.

For the six months ended June 30, 2019

	Beta Hunt Gold Mine Australia	Beta Hunt Nickel Mine Australia	HGO Gold Mine/Mill Australia	Reed Copper Mine Canada	Intersegment Elimination (1)	Corporate and other exploration Canada	Total
Revenues	$25,455	$1,172	$2,582	$27	$(1,124)	$-	$28,112
Production & toll-processing	20,744	565	4,194	-	(1,124)	-	24,379
Royalty expense	2,416	132	-	-	-	-	2,548
Depreciation and amortization	1,016	16	517	-	-	-	1,549
General and administrative: share-based payments	-	-	-	-	-	2,467	2,467
General and administrative: other	607	28	49	48	-	5,698	6,430
Operating (loss) income	$672	$431	($2,178)	($21)	-	($8,165)	($9,261)
As at June 30, 2019							
Property, plant and equipment	$25,286	$4,427	46,185	$-	$-	$1,019	$76,917
Mineral property interests	-	-	15,795	-	-	-	15,795
Total assets	40,007	4,427	81,594	190	-	27,569	153,787
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

1) Eliminates the revenues of HGO in respect of toll processing services provided to Beta Hunt Gold Mine.

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

For the three months ended June 30, 2018

	Dumont 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	-	$19,208	$2,395	$10,269	-	-	$31,872
Production & toll-processing	-	20,886 [1]	1,113	1,610	-	-	23,609
Royalty expense	-	1,838	238	-	-	-	2,076
Depreciation and amortization	-	669	(43)	2,675	-	-	3,301
General and administrative: share-based payments	-	-	-	-	-	(814)	(814)
General and administrative	29	157	19	52	337	825	1,419
Operating (loss) income	($29)	($4,342)	$1,068	$5,932	($337)	($11)	$2,281

1 Includes $2,874 in respect of capital-related costs incurred in the second quarter of 2018.

For the six months ended June 30, 2018

	Dumont 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	-	$32,660	$4,091	$16,546	-	-	$53,297
Production & toll-processing	-	38,410 [1]	2,984	2,851	-	-	44,245
Royalty expense	-	3,236	381	-	-	-	3,617
Depreciation and amortization	-	1,132	58	5,489	-	-	6,679
General and administrative: share-based payments	-	-	-	-	-	492	492
General and administrative	62	185	23	117	604	1,813	2,804
Operating (loss) income	($62)	($10,303)	$645	$8,089	($604)	($2,305)	($4,540)
Property, plant and equipment	$217	$11,092	$4,665	$461	$287	$64	$16,786
Mineral property interest	31,220	-	-	-	20,019	-	51,239
Total assets	37,020	23,048	4,665	2,967	22,125	2,881	92,706

1 Includes $6,915 in respect of capital-related costs incurred in the first half of 2018.