



ROYAL NICKEL CORPORATION
(Doing business as RNC Minerals)

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three Months Ended March 31, 2020 and 2019



Royal Nickel Corporation

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Royal Nickel Corporation

Interim Consolidated Statements of Financial Position
(Expressed in thousands of Canadian dollars)
(Unaudited)

As at	Note	March 31, 2020 \$	December 31, 2019 \$
ASSETS			
Current assets			
Cash and cash equivalents		38,407	34,656
Marketable securities		124	158
Trade and other receivables	3	6,773	7,002
Inventories	4	13,332	15,039
Prepaid expenses		1,372	1,843
		60,008	58,698
Non-current assets			
Property, plant and equipment and mineral property interests	5	99,566	98,955
Investment in associates	6	19,279	19,696
Deferred tax asset		237	376
Other non-current assets		21	52
Total assets		179,111	177,777
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	7	21,451	25,320
Current tax liability		677	486
Share incentive plan liabilities		2,316	2,970
Debt	8	60	120
Lease obligations	9	1,643	479
Derivative financial liabilities	10	3,169	2,817
		29,316	32,192
Non-current liabilities			
Debt	8	31,044	30,777
Lease obligations	9	716	743
Asset retirement obligations	11	21,589	21,119
Other non-current liabilities and provisions		35	664
Total liabilities		82,700	85,495
SHAREHOLDERS' EQUITY			
Share capital	12	263,642	263,421
Contributed surplus		30,716	30,319
Accumulated other comprehensive income		9,023	6,051
Deficit		(206,970)	(207,509)
Total shareholders' equity		96,411	92,282
Total liabilities and shareholders' equity		179,111	177,777

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

Subsequent event (note 17)



Royal Nickel Corporation

Interim Consolidated Statements of Comprehensive Earnings (Loss)
 (Expressed in thousands of Canadian dollars, except per share amounts)
 (Unaudited)

For the three months ended March 31,		2020	2019
	Note	\$	\$
Revenue		54,282	10,863
Cost of operations:			
Production and processing costs		27,286	6,498
Royalty expense		4,337	1,109
General and administrative: share-based compensation		(161)	833
General and administrative: other		3,163	1,886
Depreciation and amortization		4,054	552
Operating earnings (loss)		15,603	(15)
Other expenses (income)			
Finance expense, net	13	981	207
Loss on derivatives	10	5,853	61
Foreign exchange loss		7,715	1,164
Share of loss of associates		417	307
Other income, net		(247)	(177)
Earnings (loss) before income tax		884	(1,577)
Income tax expense		(345)	-
Net earnings (loss)		539	(1,577)
Currency translation adjustments		2,972	990
Comprehensive earnings (loss) for the period		3,511	(587)
Net earnings (loss) attributable to common shareholders per share			
Basic		0.00	(0.00)
Diluted		0.00	(0.00)
Weighted average number of shares			
Basic		608,039,763	464,713,716
Diluted		631,884,210	464,713,716

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)

For the three months ended March 31,		2020	2019
	Note	\$	\$
Cash flow provided by (used in)			
OPERATING ACTIVITIES			
Net earnings (loss) for the period		539	(1,577)
Changes not affecting cash:			
Net change in contract liabilities		-	(2,778)
Items not involving cash:			
Depreciation and amortization		4,135	574
Income taxes		345	-
Share-based payments		(223)	(642)
Foreign exchange loss		6,495	1,204
Other non-cash adjustments	15	1,307	(156)
Changes in non-cash working capital		12,598	(3,375)
Trade and other receivables		238	484
Inventories		2,072	(538)
Prepaid expenses		471	310
Accounts payable and accrued liabilities		(3,903)	(640)
Net cash provided by (used in) operating activities		11,476	(3,759)
INVESTING ACTIVITIES			
Property, plant and equipment and mineral property interests		(7,702)	(7,743)
Net cash used in investing activities		(7,702)	(7,743)
FINANCING ACTIVITIES			
Issuance of shares, net of costs		-	8,127
Issuance of debt, net of costs		-	2,382
Repayments of debt		(20)	(30)
Proceeds from exercise of options and warrants		120	614
Payments on leases		(239)	(181)
Net cash (used in) provided by financing activities		(139)	10,912
Effect of exchange rate changes on cash and cash equivalents		116	2
Net increase (decrease) in cash and cash equivalents		3,751	(588)
Cash and cash equivalents, beginning of period		34,656	1,340
Cash and cash equivalents, end of period		38,407	752
Components of cash and cash equivalents:			
Cash		38,279	644
Cash equivalents		128	108
		38,407	752

See note 15 for supplemental cash flow information.

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)

	Note	Share capital		Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Total equity \$
		Number	\$				
Balance as at January 1, 2020		607,768,949	263,421	30,319	6,051	(207,509)	92,282
Shares issued for consulting services	12	84,518	38	-	-	-	38
Exercise of stock options		450,000	183	(63)	-	-	120
Exercise of warrants		500	-	-	-	-	-
Share-based payments		-	-	460	-	-	460
Comprehensive earnings		-	-	-	2,972	539	3,511
Balance as at March 31, 2020		608,303,967	263,642	30,716	9,023	(206,970)	96,411

	Share capital		Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Total equity \$
	Number	\$				
Balance as at December 31, 2018 as reported	446,312,092	196,094	28,709	1,863	(200,545)	26,121
Adjustment for IFRS 16 adoption	-	-	-	-	(22)	(22)
Balance as at January 1, 2019 as adjusted	446,312,092	196,094	28,709	1,863	(200,567)	26,099
Private placement – public offering and overallotment	13,370,165	6,150	-	-	-	6,150
Private placement	6,521,000	3,000	-	-	-	3,000
Private placement – purchase option	7,104,655	3,815	-	-	-	3,815
Settlement of RSUs	578,959	221	-	-	-	221
Warrants issued	-	-	343	-	-	343
Exercise of warrants	324,443	243	(93)	-	-	150
Exercise of stock options	1,546,664	732	(268)	-	-	464
Issue costs	-	(1,023)	-	-	-	(1,023)
Issue costs - warrants	-	(343)	-	-	-	(343)
Share-based payments	-	-	169	-	-	169
Comprehensive earnings (loss)	-	-	-	990	(1,577)	(587)
Balance as at March 31, 2019	475,757,978	208,889	28,860	2,853	(202,144)	38,458

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



Royal Nickel Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2020 and 2019
(Expressed in thousands of Canadian dollars, unless otherwise indicated)

Notes to Financial Statements

1. NATURE OF OPERATIONS

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 months ended March 31, 2020 comprise RNC and its subsidiaries, Salt Lake Mining Pty Ltd. (“**SLM**”), Higginsville Gold Operation (“**HGO**”) 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 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. RNC also has a 27.8% interest in the Dumont JV which owns the Dumont Nickel-Cobalt Project (“**Dumont**”), located in the established Abitibi mining camp, located 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 23.6% 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.

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, 2019.

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 6, 2020.



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

(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, 2019.

3. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

As at	March 31, 2020	December 31, 2019
Trade accounts receivable	\$2,709	\$1,089
Value added taxes	2,106	3,849
Fuel rebates	1,958	2,064
	\$6,773	\$7,002

4. INVENTORIES

Inventories consist of the following:

As at	March 31, 2020	December 31, 2019
Coarse gold, gold ore and gold in process	\$10,276	\$11,850
Stores, spares and fuel	3,056	3,189
	\$13,332	\$15,039

5. PROPERTY, PLANT AND EQUIPMENT AND MINERAL PROPERTY INTERESTS

The following tables reflect the continuity of the Corporation's property, plant and equipment and mineral property interests:



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Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2020 and 2019
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	Land & Buildings	Vehicles	Equipment	Mine and Mill Facilities	Mineral Property Interests	Total
As at January 1, 2020	\$9,985	\$1,427	\$12,332	\$56,708	\$18,503	\$98,955
Additions	164	-	2,017	4,863	2,988	10,032
Transfer mineral property interests to depreciable assets	-	-	-	3,345	(3,345)	-
Disposals	-	-	(39)	-	-	(39)
Foreign exchange	(437)	(69)	(621)	(2,895)	(860)	(4,882)
Depreciation	(201)	(46)	(423)	(3,747)	(83)	(4,500)
As at March 31, 2020	\$9,511	\$1,312	\$13,266	\$58,274	\$17,203	\$99,566
At March 31, 2020						
Cost	\$10,192	\$1,685	\$17,762	\$75,044	\$17,955	\$122,638
Accumulated depreciation	(681)	(373)	(4,496)	(16,770)	(752)	(23,072)
Net book value	\$9,511	\$1,312	\$13,266	\$58,274	\$17,203	\$99,566
As at December 31, 2019						
Cost	\$10,501	\$1,771	\$17,012	\$73,536	\$18,503	\$121,323
Accumulated depreciation	(516)	(344)	(4,680)	(16,828)	-	(22,368)
Net book value	\$9,985	\$1,427	\$12,332	\$56,708	\$18,503	\$98,955

The table below summarizes the balances in respect of right-of-use assets which are included in the table above:

	Land & Buildings	Equipment	Total
As at January 1, 2020	\$1,001	\$49	\$1,050
Additions	144	1,238	1,382
Foreign exchange	1	(24)	(23)
Depreciation	(99)	(6)	(105)
Revisions	17	-	17
As at March 31, 2020	\$1,064	\$1,257	\$2,321

6. INVESTMENT IN ASSOCIATES

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

	Dumont JV	Orford	SPC	Total
Balance as at December 31, 2019	\$17,774	\$1,013	\$909	\$19,696
Share of comprehensive earnings (loss)	57	(451)	(23)	(417)
Balance as at March 31, 2020	\$17,831	\$562	\$886	\$19,279



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7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at	March 31, 2020	December 31, 2019
Trade accounts payable	\$5,174	\$7,264
Accrued liabilities	16,277	18,056
	\$21,451	\$25,320

8. DEBT

Long-term debt comprises the following:

For the three months ended March 31, 2020	IQ Loan (i)	Bridge	Total
Balance as at January 1, 2020	\$324	\$30,573	\$30,897
Repayments	(20)	-	(20)
Accretion expense	-	227	227
Balance as at March 31, 2020	304	30,800	31,104
Less current portion	60	-	60
Non-current portion	\$244	\$30,800	\$31,044

(i) IQ Loan

During the first quarter of 2020, in response to the covid-19 pandemic, the debt facility with Investissement Quebec ("IQ") was extended by six months.

9. LEASE OBLIGATIONS

The following table reflects the continuity of lease obligations for the three months ended March 31, 2020:

For the three months ended March 31,	2020
Opening balance	\$1,222
Additions	1,382
Disposals	-
Accretion	31
Cash payments	(270)
Revisions	17
Foreign exchange	(23)
Closing balance	2,359
Less current portion	1,643
Non-current portion	\$716



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10. 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, 2020, 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 the Black-Scholes method.

The Corporation did not apply hedge accounting on its outstanding derivatives. Therefore, changes in fair value are recorded in the consolidated statement of comprehensive earnings (loss) on a mark to market basis and recorded in financial assets and financial liabilities. For the three months ended March 31, 2020 and 2019, the table below summarizes the movements in derivative financial liabilities:

For the three months ended March 31,	2020
Opening liability	\$2,817
Settlements of matured derivatives	(5,355)
Net change in fair value	5,853
Change due to foreign exchange	(146)
Closing liability	\$3,169

The following table summarizes the outstanding derivative positions at March 31, 2020:

	Maturity		Statement of Financial Position Classification
	Current	Total	Current Liabilities
Gold call option sell contracts			
Ounces	5,500	5,500	
Average price per ounce (in AUD)	\$1,930	\$1,930	
Fair value of liability as at March 31, 2020	\$3,169	\$3,169	\$3,169
Gold put option buy contracts			
Ounces	5,500	5,500	
Average price per ounce (in AUD)	\$1,825	\$1,825	
Fair value of asset as at March 31, 2020	-	-	-
Total			\$3,169



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11. RESTORATION, REHABILITATION AND ENVIRONMENTAL OBLIGATIONS

The following table reflects the continuity of asset, rehabilitation and environmental obligations for the three months ended March 31, 2020:

For the three months ended March 31,	2020
Opening balance	\$21,119
Accretion expense	32
Change in discount rate	1,497
Change in foreign exchange translation	(1,059)
Closing balance	\$21,589

During the three months ended March 31, 2020, the discount rate in respect of the discounting for rehabilitation programs in Australia was changed resulting in an increase to the liability of \$1.5 million with a corresponding increase to property, plant and equipment.

12. SHARE CAPITAL

The Corporation is authorized to issue an unlimited amount of common shares.

During the three months ended March 31, 2020, 84,518 shares were issued to consultants with a value of \$0.04 million which were measured on the basis of the Corporation's share price on the date of issue.

13. FINANCE EXPENSE, NET

For the three months ended March 31,	2020	2019
Interest expense	\$801	\$5
Accretion on debt and finance leases	253	209
Interest income	(73)	(7)
	\$981	\$207

14. 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 (note 10) are recorded at fair value at the end of each reporting period. With respect to debt balances (note 8), carrying values and fair values are as follows:



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Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2020 and 2019
(Expressed in thousands of Canadian dollars, unless otherwise indicated)

As at	March 31, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
IQ Loan (level 2)	\$304	\$304	\$324	\$324
Bridge loan (level 2)	\$30,800	\$32,000	\$30,573	\$32,000

15. SUPPLEMENTAL CASH FLOW INFORMATION

Other non-cash adjustments

For the three months ended March 31,	2020	2019
Share of loss in associates	\$417	\$307
Net change in fair value of derivative instruments	498	(424)
Accretion - asset retirement obligations	32	4
Accretion - long-term debt	227	198
Loss (gain) on sale of property, plant and equipment and mineral property interest	61	(270)
Unrealized loss on revaluation of marketable securities	34	-
Other	38	29
	\$1,307	\$(156)

Other supplemental information

For the three months ended March 31,	2020	2019
Interest received	\$73	\$7
Interest paid	\$801	\$22
Increase (decrease) of property, plant and equipment and mineral property interests in accounts payable and accrued liabilities	\$(566)	\$446



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Notes to the Unaudited Condensed Interim Consolidated Financial Statements
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16. SEGMENTED INFORMATION

The Corporation has production and exploration and evaluation activities in Australia.

For the three months ended March 31, 2020

	Beta Hunt Gold/Nickel Mine Australia	HGO Gold Mine/Mill Australia	Intersegment Elimination (1)	All Other	Total
Revenues	\$37,982	\$22,548	\$(6,248)	\$-	\$54,282
Production and processing costs	18,228	15,306	(6,248)	-	27,286
Royalty expense	3,224	1,113	-	-	4,337
Depreciation and amortization	1,829	2,225	-	-	4,054
General and administrative: share-based payments	-	-	-	(161)	(161)
General and administrative: other	598	323	-	2,242	3,163
Operating earnings (loss)	\$14,103	\$3,581	\$-	\$(2,081)	\$15,603

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

As at March 31, 2020

Property, plant and equipment and mineral property interests	\$34,573	\$64,031	\$-	\$962	\$99,566
Total assets	63,978	78,190	-	36,943	179,111

As at December 31, 2019

Property, plant and equipment and mineral property interests	\$33,956	\$64,854	\$-	\$145	\$98,955
Total assets	58,930	80,946	-	37,901	177,777

For the three months ended March 31, 2019 ¹

	Beta Hunt Gold/Nickel Mine Australia	Reed Copper Mine Canada	All Other	Total
Revenues	\$10,836	\$27	\$-	\$10,863
Production and processing costs	6,498	-	-	6,498
Royalty expense	1,109	-	-	1,109
Depreciation and amortization	552	-	-	552
General and administrative: share-based payments	-	-	833	833
General and administrative: other	343	25	1,518	1,886
Operating earnings (loss)	\$2,334	\$2	\$(2,351)	(\$15)

1) Segment information has been restated to aggregate the Beta Hunt Gold Mine and Beta Hunt Nickel Mine segments.

17. SUBSEQUENT EVENT

On April 15, 2020, the Corporation received approval of the TSX for a normal course issuer bid (the "**Bid**") to purchase up to no more than 30,415,198 of the Corporation's issued and outstanding common shares. Purchases under the Bid may commence on April 17, 2020. The Bid will expire no later than April 16, 2021. Purchases of common shares will be made through the facilities of the TSX in accordance with its rules.



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Purchases may also be made through alternative Canadian trading systems. On the date of approval, the average daily trading volume of the common shares for the previous six calendar months ("**ADTV**") was 1,533,196 shares. Subject to the TSX's block purchase exception, on any trading day, purchases under the Bid will not exceed 383,299 shares (25% of the ADTV). The price that the Corporation will pay for any common shares purchased under the Bid will be the prevailing market price at the time of purchase. Any common shares purchased by the Corporation will be cancelled. The Corporation has not made any purchases of its common shares during the past twelve months.