ROYAL NICKEL CORPORATION

CONDENSED INTERIM FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED JUNE 30, 2012

(Unaudited)

Table of Contents

Management's Responsibility for Financial Reporting

The accompanying unaudited condensed interim financial statements for Royal Nickel Corporation are the responsibility of the Management. The unaudited condensed interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions that were complete at the balance sheet date. In the opinion of management, the unaudited condensed interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards applicable to the preparation of interim financial statements, including IAS 34.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced. Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Corporation, as of the date of and for the periods presented by the unaudited condensed interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities. The Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Corporation. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim financial statements together with other financial information of the Corporation for issuance to the shareholders.

Management recognizes its responsibility for conducting the Corporation's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

/s/ Tyler Mitchelson

Tyler Mitchelson
President and Chief Executive Officer

/s/ Fraser Sinclair

Fraser Sinclair
Chief Financial Officer

Toronto, Canada

August 10, 2012

Royal Nickel Corporation

Interim Balance Sheets

(Expressed in thousands of Canadian dollars)
(Unaudited)

	June 30, 2012	December 31, 2011
ASSETS		
Current assets		
Cash and cash equivalents	**$ 9,778**	$ 19,741
Amounts receivable and prepaids	**747**	855
Tax credits receivable	**7,267**	10,450
	17,792	31,046
Non-current assets		
Tax credits receivable	**3,412**	630
Deposits and prepaids	**238**	-
Property, plant and equipment	**1,014**	1,000
Intangible assets	**130**	153
Mineral property interests (note 3)	**59,544**	53,539
Total assets	**$ 82,130**	$ 86,368
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**$ 2,221**	$ 2,420
Deferred share units (note 4)	**451**	699
Restricted share units (note 4)	**595**	808
Current portion of finance lease obligation	**29**	46
	3,296	3,973
Non-current liabilities		
Deferred share units (note 4)	**6**	1
Restricted share units (note 4)	**-**	2
Finance lease obligation	**8**	20
Deferred income tax liability	**6,198**	5,631
Total liabilities	**9,508**	9,627
EQUITY		
Share capital	**95,548**	95,045
Contributed surplus	**23,247**	23,266
Deficit	**(46,173)**	(41,570)
Total equity	**72,622**	76,741
Total liabilities and equity	**$ 82,130**	$ 86,368

The notes to the interim financial statements are an integral part of these financial statements.

Interim Statements of Comprehensive Loss

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

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	**2012**	2011
Expenses				
General and administrative (note 6)	**$ 1,902**	$ 1,439	**$ 4,168**	$ 2,902
Operating loss	**(1,902)**	(1,439)	**(4,168)**	(2,902)
Finance income	**55**	165	**132**	307
Loss before income tax	**(1,847)**	(1,274)	**(4,036)**	(2,595)
Deferred income tax expense (note 9)	**250**	1,794	**567**	2,202
Loss and comprehensive loss for the period	**$ (2,097)**	$ (3,068)	**$ (4,603)**	$ (4,797)
Loss per share				
Basic and diluted (note 7)	**$ (0.02)**	$ (0.03)	**$ (0.05)**	$ (0.05)

The notes to the interim financial statements are an integral part of these financial statements.

Royal Nickel Corporation

Interim Statements of Cash Flows

(Expressed in thousands of Canadian dollars)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	**2012**	2011
Cash flow provided by (used in)				
OPERATING ACTIVITIES				
Loss	**$ (2,097)**	$ (3,068)	**$ (4,603)**	$ (4,797)
Items not involving cash				
Depreciation and amortization	**30**	30	**59**	58
Deferred income tax expense	**250**	1,794	**567**	2,202
Share based payments (note 4)	**(143)**	(605)	**(10)**	(712)
	(1,960)	(1,849)	**(3,987)**	(3,249)
Changes in working capital				
Amounts receivable, prepaids and deposits	**(56)**	(501)	**(130)**	(921)
Tax credit receivable	**(8)**	-	**42**	-
Accounts payable and accrued liabilities	**537**	213	**446**	(612)
	(1,487)	(2,137)	**(3,629)**	(4,782)
INVESTING ACTIVITIES				
Expenditures on mineral property interests	**(4,219)**	(7,504)	**(9,081)**	(13,446)
Net tax credits and mining rights received	**-**	-	**2,616**	333
Acquisition of intangible assets	**-**	-	**-**	(13)
Acquisition of property, plant and equipment	**(58)**	(49)	**(67)**	(94)
	(4,277)	(7,553)	**(6,532)**	(13,220)
FINANCING ACTIVITIES				
Issuance of shares, net of issue costs	**-**	-	**-**	5,947
Exercise of options and warrants for cash	**-**	253	**227**	761
Principal payments on finance leases	**(15)**	(8)	**(29)**	(16)
	(15)	245	**198**	6,692
Change in cash and cash equivalents	**(5,779)**	(9,445)	**(9,963)**	(11,310)
Cash and cash equivalents, beginning of period	**15,557**	45,617	**19,741**	47,482
Cash and cash equivalents, end of period	**$ 9,778**	$ 36,172	**$ 9,778**	$ 36,172
Components of cash and cash equivalents				
Cash	**$ 373**	$ 692	**$ 373**	$ 692
Cash equivalents	**9,405**	35,480	**9,405**	35,480
	$ 9,778	$ 36,172	**$ 9,778**	$ 36,172
SUPPLEMENTAL INFORMATION				
Interest paid	**$ 2**	$ 28	**$ 4**	$ 29
Share based payments/(recovery) in mineral property interests	**(5)**	16	**50**	116
Depreciation of property, plant and equipment in mineral property interests	**14**	12	**27**	21
Mining property interest included in accounts payable and accrued liabilities	**900**	3,529	**900**	3,529

The notes to the interim financial statements are an integral part of these financial statements.

Interim Statements of Changes in Equity

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

	Share Capital		Contributed		
	Number	Amount	Surplus	Deficit	Total Equity
Balance as at January 1, 2012	**88,876,618**	**$ 95,045**	**$ 23,266**	**$ (41,570)**	**$ 76,741**
Exercise of warrants	650,000	227	-	-	227
Fair value of warrants exercised	-	161	(161)	-	-
Shares issued for redemption of restricted share units	3,000	2	-	-	2
Shares issued for redemption of deferred share units	262,666	113	-	-	113
Share based payments	-	-	142	-	142
Loss and comprehensive loss for the period	-	-	-	(4,603)	(4,603)
Balance as at June 30, 2012	**89,792,284**	**$ 95,548**	**$ 23,247**	**$ (46,173)**	**$ 72,622**
Balance as at January 1, 2011	**84,231,203**	**$ 88,600**	**$ 22,029**	**$ (33,819)**	**$ 76,810**
Shares issued for exercise of over-allotment option	2,925,000	6,581	-	-	6,581
Share issue costs of over-allotment option, net of deferred income taxes of $163	-	(391)	(81)	-	(472)
Warrant valuation of over-allotment option	-	(812)	812	-	-
Broker warrant valuation of over-allotment option	-	(121)	121	-	-
Exercise of stock options	600,000	210	-	-	210
Fair value of stock options exercised	-	164	(164)	-	-
Exercise of warrants	1,103,750	552	-	-	552
Fair value of warrants exercised	-	244	(244)	-	-
Share based payments	-	-	531	-	531
Loss and comprehensive loss for the period	-	-	-	(4,797)	(4,797)
Balance as at June 30, 2011	**88,859,953**	**$ 95,027**	**$ 23,004**	**$ (38,616)**	**$ 79,415**

The notes to the interim financial statements are an integral part of these financial statements.

Notes to Condensed Interim Financial Statements

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

(Unaudited)

1. NATURE OF OPERATIONS AND LIQUIDITY

Royal Nickel Corporation (the “Corporation” or “RNC”) was incorporated on December 13, 2006, under the Canada Business Corporations Act. The Corporation's registered office is located at 220 Bay Street, Suite 1200, Toronto, Ontario, Canada.

The principal business of the Corporation is the acquisition, exploration, evaluation and development of mineral property interests. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that planned exploration and development programs will result in profitable mining operations. The recoverability of amounts shown for mineral property interests is dependent upon the development of economically recoverable reserves, confirmation of the Corporation's interest in the underlying mineral claims, the ability of the Corporation to obtain necessary financing to complete the development and future profitable production or, alternatively, upon disposition of such property at a profit. Changes in future conditions could require material write downs of the carrying values of mineral property interests.

Although the Corporation has taken steps to verify title to the property on which it is conducting exploration and in which it is acquiring an interest, in accordance with industry standards for the current stage of exploration and evaluation of such property, these procedures do not guarantee the Corporation's title. Property title may be subject to unregistered prior agreements, aboriginal claims and noncompliance with regulatory requirements.

As at June 30, 2012, the Corporation had working capital of $14,496, including cash and cash equivalents of $9,778, an accumulated deficit of $46,173 and incurred a loss of $2,097 for the three months then ended.

Management of the Corporation believes that it has sufficient funds to pay its ongoing general and administrative expenses, to pursue exploration and evaluation activities and to meet its liabilities, obligations and existing commitments for the ensuing twelve months as they fall due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Corporation's ability to continue future operations beyond June 30, 2013 and fund its exploration and evaluation expenditures 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 new debt or equity instruments. Management will pursue such additional sources of financing when required, and 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.

The Corporation's financial year ends on December 31. The unaudited condensed interim financial statements were authorized for publication by the Board of Directors on August 10, 2012.

2. BASIS OF PREPARATION

These unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The unaudited condensed interim financial statements should be read in conjunction with the Corporation's audited annual financial statements for the year ended December 31, 2011.

3. MINERAL PROPERTY INTERESTS

Exploration and evaluation expenses	Dumont	Jefmar	Marbridge	Total
Balance as at January 1, 2012	**$ 51,969**	**$ 475**	**$ 1,095**	**$ 53,539**
Property acquisition costs	10	-	-	10
Depreciation	27	-	-	27
Drilling	3,187	-	-	3,187
Engineering	840	-	-	840
Environmental	1,224	-	-	1,224
Geological	922	-	-	922
Site activities and metallurgical testing	2,002	-	-	2,002
Share based payments	50	-	-	50
Quebec refundable tax credits	(2,257)	-	-	(2,257)
Balance as at June 30, 2012	**$ 57,974**	**$ 475**	**$ 1,095**	**$ 59,544**

4. SHARE INCENTIVE PLAN

Share Purchase Options

During the six months ended June 30, 2012, 120,000 options were granted (2011: 160,000) and the weighted average fair value of share purchase options granted during the period, as estimated at the time of grant, was $0.44 per share purchase option (2011: $1.15) of which 33.33% will vest at the first anniversary, 33.33% at the second anniversary and 33.33% at the third anniversary. This was calculated using the Black-Scholes option pricing model, using the following weighted average assumptions:

	Six months ended June 30,	
	2012	2011
Share price	**$0.67**	$1.66
Exercise price	**$0.67**	$1.66
Risk free interest rate	**1.5%**	2.6%
Expected life	**6 years**	6 years
Expected forfeiture rate	**5%**	3%
Expected volatility	**75%**	78%
Expected dividends	**0%**	0%

The following table reflects the continuity of share purchase options for the six months ended June 30, 2012:

	Number of Options	Weighted Average Exercise Price
Balance as at January 1, 2012	7,241,583	$ 1.73
Granted	120,000	0.67
Forfeited	(130,000)	2.12
Expired	(108,333)	2.46
Balance as at June 30, 2012	**7,123,250**	**$ 1.69**

As at June 30, 2012, the Corporation had the following share purchase options outstanding:

	Options Outstanding			Options Exercisable		
Exercise Price Range	Number of Options	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number of Options	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price
$0.35–$0.99	1,975,000	6.39	$0.43	1,468,333	5.32	$0.38
$1.00–$1.99	435,000	5.64	$1.02	415,000	5.48	$1.01
$2.00–$2.50	4,713,250	6.68	$2.28	4,597,250	6.64	$2.29
	7,123,250	**6.54**	**$1.69**	**6,480,583**	**6.27**	**$1.77**

Deferred Share Units

During the three and six months ended June 30, 2012, 262,666 deferred share units were redeemed for 262,666 shares of the Corporation.

The following table reflects the continuity of deferred share units for the six months ended June 30, 2012:

	Number of Deferred Share Units
Balance as at January 1, 2012	1,385,554
Granted	52,083
Redeemed	(262,666)
Forfeited	(31,334)
Balance as at June 30, 2012	**1,143,637**

As at June 30, 2012, 783,800 deferred share units are vested.

Restricted Share Units

The following table reflects the continuity of restricted share units for the six months ended June 30, 2012:

	Number of Restricted Share Units
Balance as at January 1, 2012	1,510,239
Redeemed	(3,000)
Balance as at June 30, 2012	**1,507,239**

As at June 30, 2012, 1,274,904 restricted share units are vested.

The expense (recovery) recognized from share-based payment transactions for services received during the period is shown in the following table:

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	**2012**	2011
Equity settled share-based payment transactions				
Share purchase options	**$ 40**	$ 174	**$ 78**	$ 352
Total equity settled share-based payment transactions	**40**	174	**78**	352
Cash settled share-based payment transactions				
Deferred share units	**45**	163	**74**	362
Restricted share units	**11**	100	**24**	287
Mark-to-market adjustment for deferred and restricted share units	**(337)**	(1,042)	**(382)**	(1,713)
Total cash settled share-based payment transactions	**(281)**	(779)	**(284)**	(1,064)
Accrued share-based payment transactions	**98**	-	**196**	-
Total expense (recovery) arising from share-based payment transactions	**$ (143)**	$ (605)	**$ (10)**	$ (712)

The carrying amounts of the liabilities relating to deferred and restricted share units as at June 30, 2012, are $457 and $595 respectively (at December 31, 2011: $700 and $810 respectively).

5. WARRANTS AND COMPENSATION WARRANTS

The following table reflects the continuity of warrants and compensation warrants for the six months ended June 30, 2012:

	Number of Warrants	Number of Compensation Warrants	Weighted Average Exercise Price
Balance as at January 1, 2012	15,282,027	35,555	$2.53/2.25
Exercised	(650,000)	-	0.35/-
Expired	(1,523,277)	(35,555)	2.34/2.25
Balance as at June 30, 2012	**13,108,750**	**-**	**$ 2.66/-**

As at June 30, 2012, the Corporation had the following warrants outstanding:

Warrants	Exercise Price	Remaining Contractual Life (Years)	Expiry Date
500,000	$1.00	0.02	July 9, 2012
1,300,000	$0.35	0.05	July 19, 2012
26,250	$3.00	0.14	August 20, 2012
70,000	$2.50	0.46	December 14, 2012
11,212,500	$3.00	0.46	December 15, 2012
13,108,750	**$2.66**	**0.40**	

On June 29, 2012, the Corporation amended the terms of 1,300,000 unlisted warrants, exercisable at $0.35 per share until July 19, 2012 and held by a corporation controlled by a former director of the Corporation, to add a cashless exercise feature. In July 2012, 150,000 of these warrants were exercised for cash proceeds of $53 and the remaining 1,150,000 warrants were exercised using the cashless exercise feature. A total of 277,648 shares were issued in connection with the exercise of these warrants.

6. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	**2012**	2011
Expense by nature				
Salaries, wages and benefits	**$ 569**	$ 619	**$ 1,376**	$ 1,312
Share based payments (note 4)	**(143)**	(605)	**(10)**	(712)
Professional fees	**215**	348	**427**	503
Consulting fees	**346**	86	**708**	200
Public company expenses	**35**	20	**97**	91
Office and general	**277**	395	**596**	656
Conference and travel	**60**	103	**156**	154
Investor relations	**270**	421	**409**	568
Business development	**243**	22	**350**	72
Depreciation and amortization	**30**	30	**59**	58
	$ 1,902	$ 1,439	**$ 4,168**	$ 2,902

7. LOSS PER SHARE

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	**2012**	2011
Loss available to common shareholders	**$ (2,097)**	$ (3,068)	**$ (4,603)**	$ (4,797)
Weighted average number of common shares	**89,538,254**	88,689,628	**89,485,665**	88,104,696
Loss per share – basic and diluted	**$ (0.02)**	$ (0.03)	**$ (0.05)**	$ (0.05)

The effect of potential issuances of shares under stock options, warrants, deferred share units and restricted share units would be anti-dilutive for the three and six months ended June 30, 2012 and 2011, and accordingly, basic and diluted loss per share are the same.

8. RELATED PARTY TRANSACTIONS

Remuneration of key management (includes the Corporation's directors and management team)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	**2012**	2011
Management salaries and benefits	**$ 435**	$ 473	**$ 870**	$ 946
Directors fees	**61**	101	**152**	181
Share-based payments – Management	**168**	277	**340**	668
Share-based payments – Directors	**39**	148	**59**	280
Mark-to-market adjustment for cash settled share-based payments	**(387)**	(1,080)	**(439)**	(1,740)
	$ 316	$ (81)	**$ 982**	$ 335
Administrative and general expenses				
Consulting fees paid to a director and officer	**$ -**	$ 44	**$ 11**	$ 88

A director elected to take director fees of $31 and $31 for the three and six months ended June 30, 2012 respectively ($56 and for $87 for the three and six months ended June 30, 2011 respectively) in deferred shared units which was accounted for as share based payments.

9. INCOME TAX

The Corporation incurred a loss for tax purposes for the six months ended June 30, 2012, for which no tax benefit was recorded. In addition, the Corporation recorded a refundable tax credit for mining exploration expenses and a Quebec mining duties credit on the eligible exploration expenditures incurred in the six months ended June 30, 2012. These credits were recorded as a reduction to mineral property interests. The deferred tax expense for the six months ended June 30, 2012, is attributable to additional deferred tax liabilities relating to Quebec mining duties.

10. SUBSEQUENT EVENT

On August 1, 2012, the Corporation entered into a $12 million investment agreement with Ressources Québec. Pursuant to the agreement between the Corporation and Ressources Québec, the Corporation receives $12 million and Ressources Québec is entitled to receive 0.8% of the net smelter return from the sale of minerals produced from Dumont and receives a 2% undivided co-ownership interest in the property. The Corporation has the right to repurchase, at any time after the fifth anniversary, all or any portion of Ressources Québec's interest for $10 million for each 0.2% of the net smelter return, to a maximum consideration of $40 million for the entire interest (including the 2% interest in the property).