



ROYAL NICKEL CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three Months Ended March 31, 2016
(Unaudited)



Royal Nickel Corporation

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Royal Nickel Corporation

Management's Responsibility for Financial Reporting

The accompanying unaudited condensed consolidated interim financial statements for Royal Nickel Corporation are the responsibility of the Management. The unaudited condensed consolidated 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 consolidated 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 consolidated 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 unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements and (ii) the unaudited condensed consolidated interim 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 consolidated interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed consolidated 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 consolidated 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/ Mark Selby

Mark Selby
President and Chief Executive Officer

/s/ Tim Hollaar

Tim Hollaar
Chief Financial Officer

Toronto, Canada

May 16, 2016



Royal Nickel Corporation

Consolidated Interim Balance Sheets

(Expressed in thousands of Canadian dollars)
(Unaudited)

	March 31, 2016	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	\$7,170	\$9,634
Amounts receivable and prepaids (note 4)	2,279	715
Inventories (note 5)	3,496	-
	12,945	10,349
Non-current assets		
Investment in associate (note 6)	1,725	1,525
Other investment	40	20
Deposits and prepaids	39	153
Property, plant and equipment (note 7)	39,467	1,151
Intangible assets	65	71
Mineral property interests (note 8)	70,612	69,290
Total assets	\$124,893	\$82,559
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$10,491	\$1,565
Share incentive plan (note 11)	1,081	957
Flow-through share premium	5	5
Current portion of long-term debt (note 10)	7,097	-
Current portion of finance lease obligation	20	26
	18,694	2,553
Non-current liabilities		
Share appreciation rights (note 11)	46	38
Long-term debt (note 10)	14,277	-
Asset retirement obligation (note 15)	837	488
Deferred income tax liability	13,192	11,202
Total liabilities	47,046	14,281
EQUITY		
Share capital	119,476	113,051
Contributed surplus	24,891	24,818
Deficit	(74,400)	(72,704)
Equity attributable to RNC shareholders	69,967	65,165
Non-controlling interests	7,880	3,113
Total equity	77,847	\$68,278
Total liabilities and equity	\$124,893	\$82,559

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

Going concern (note 1)
Commitments (note 17)
Subsequent events (note 19)



Royal Nickel Corporation

Consolidated Interim Statements of Comprehensive Loss

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

	Three months ended March 31,	
	2016	2015
Revenue – Nickel Sales	\$1,452	\$-
Cost of Operations		
Production and toll-processing costs	1,010	-
Royalty expense	187	-
General and administrative (note 12)	2,326	1,140
Depreciation and amortization	61	-
Operating Loss	2,132	1,140
Other expenses (income)		
Finance and other income	(16)	(3)
Foreign exchange gain	(476)	
Finance costs	153	
Unrealized gain on other investment	(20)	
Share of gain of associates (notes 3 and 6)	(190)	(5)
Unrealized loss on derivative financial instruments	-	155
Gain on dilution of associate (note 6)	(80)	
Gain on deemed disposition of associate (note 3)	(71)	-
Total other expenses (income)	(700)	147
Loss before income tax	1,432	1,287
Deferred income tax expense (recovery)	173	(980)
Loss and comprehensive loss for the period	\$1,605	\$307
Attributable to:		
RNC shareholders	1,696	251
Non-controlling interests	(91)	56
Loss per share attributable to RNC shareholders		
Basic and diluted (note 13)	\$0.01	\$0.00

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



Royal Nickel Corporation

Consolidated Interim Statements of Cash Flows

(Expressed in thousands of Canadian dollars)

(Unaudited)

Three months ended March 31,

	2016	2015
Cash flow provided by (used in)		
OPERATING ACTIVITIES		
Loss for the period	\$(1,605)	\$(307)
Items not involving cash:		
Depreciation and amortization	72	15
Deferred income tax (recovery) expense	173	(980)
Share of gain of associates	(190)	(5)
Gain on dilution of associate	(80)	-
Gain on deemed disposition of associate	(71)	-
Unrealized loss on derivative financial instrument	-	155
Accretion of asset retirement obligation	1	1
Unrealized gain on other investment	(20)	-
Shares issued for consulting services	38	50
Foreign exchange gain	(476)	-
Share-based payments	231	214
	(1,927)	(857)
Changes in non-cash working capital		
Amounts receivable, prepaids and deposits	2,492	30
Inventories	(3,254)	-
Share based plan redemptions for cash	-	(141)
Accounts payable and accrued liabilities	763	(467)
	(1,926)	(1,435)
INVESTING ACTIVITIES		
Expenditures on mineral property interests	(1,635)	(903)
Collateral investment	-	1,000
Net tax credits and mining duties received	-	980
Acquisition of property, plant and equipment	(504)	-
Cash acquired on acquisition of SLM	4,232	-
Investment in SLM	(2,500)	-
Investment in associate	(125)	-
	(532)	1,077
FINANCING ACTIVITIES		
Principal payments on finance leases	(6)	(5)
	(6)	(5)
Change in cash and cash equivalents	(2,464)	(363)
Cash and cash equivalents, beginning of period	9,634	2,943
Cash and cash equivalents, end of period	\$7,170	\$2,580
Components of cash and cash equivalents:		
Cash	\$1,211	\$1,570
Cash equivalents	5,959	1,010
	\$7,170	\$2,580
SUPPLEMENTAL INFORMATION		
Interest paid	\$137	\$2
Share-based payments in mineral property interests	107	109
Depreciation of property, plant and equipment in mineral property interests	44	46
Mineral property interests in accounts payable and accrued liabilities	265	218

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



Royal Nickel Corporation

Consolidated Interim Statements of Changes in Equity

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

	Share Capital		Contributed Surplus	Deficit	Equity attributable to RNC shareholders	Non-controlling interest	Total Equity
	Number	Amount					
Balance as at January 1, 2016	131,325,941	\$113,051	\$24,818	\$(72,704)	\$65,165	\$3,113	\$68,278
Shares issued for consulting services	219,130	38	-	-	38	-	38
Acquisition of SLM – common shares and non-controlling interests (note 3)	31,937,831	6,387	-	-	6,387	4,676	11,063
Share-based payments	-	-	73	-	73	-	73
Loss and comprehensive loss for the period	-	-	-	(1,696)	(1,696)	91	(1,605)
Balance as at March 31, 2016	163,482,902	\$119,476	\$24,891	\$(74,400)	\$69,967	\$7,880	\$77,847
Balance as at January 1, 2015	109,656,340	\$106,297	\$24,296	\$(67,382)	\$63,211	\$3,339	\$66,550
Shares issued for consulting service	153,849	50	-	-	50	-	50
Share-based payments	-	-	156	-	156	-	156
Loss and comprehensive loss for the period	-	-	-	(251)	(251)	(56)	(307)
Balance as at March 31, 2015	109,810,189	\$106,347	\$24,452	\$(67,633)	\$63,166	\$3,283	\$66,449

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



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Notes to Condensed Consolidated Interim Financial Statements

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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 consolidated financial statements of the Corporation as at and for the period ended March 31, 2016, are comprised of RNC, its subsidiaries True North Nickel Inc. (“**TNN**”) and Salt Lake Mining Mining Pty Ltd. (“**SLM**”), and the Corporation’s interest in its associate Sudbury Platinum Corporation (“**SPC**”) (collectively referred to as the “**Corporation**”).

The Corporation is a mineral resource company primarily focussed on the acquisition and responsible development of a high-quality portfolio of base and precious metal assets. The Corporation is transitioning from the exploration and evaluation stage into a nickel, copper and precious metal producer. 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 several factors including, but not limited to, completion of the acquisition of the mineral property interests, the discovery of economically recoverable reserves, confirmation of the Corporation’s interest in the underlying mineral claims, obtaining the necessary development permits, and 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 and property, plant and equipment.

The accompanying unaudited condensed consolidated interim financial statements have been prepared using 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 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.

As at March 31, 2016, the Corporation had negative working capital of \$5,749, had an accumulated deficit of \$74,400 and incurred a loss of \$1,605 for the three months then ended. Working capital included cash and cash equivalents of \$7,170.

The Corporation’s ability to continue future operations and fund its operations and successfully operate its newly acquired Beta-Hunt Mine through its subsidiary SLM 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 markets 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



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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 consolidated interim financial statements. 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 unaudited condensed consolidated interim 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.

Refer to note 19 for additional financing being contemplated by the Corporation.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

a) Statement of Compliance

These unaudited condensed interim 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. The unaudited condensed consolidated interim financial statements should be read in conjunction with the Corporation's audited annual consolidated financial statements for the year ended December 31, 2015.

The Corporation's financial year ends on December 31. The unaudited condensed consolidated interim financial statements were authorized for publication by the Board of Directors on May 16, 2016.

b) Basis of Preparation

The accounting policies and methods of computation applied in these unaudited condensed consolidated interim financial statements are consistent with those of the previous financial year, except as described below and more specifically as a result of the acquisition of SLM:

Functional and Presentation Currency

Items included in the financial statements of each of the Corporation's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Canadian dollars, which are the Corporation and TNN's functional currencies. The functional currency of SLM is the Australian dollar.

Foreign Currency Translation of Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are included in the consolidated statement of comprehensive loss within foreign exchange.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management team that makes strategic decisions.



Revenue recognition

The Corporation recognizes revenue when the amount of revenue can be measured reliably, it is probable that future economic benefits will flow to the Corporation, the Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods, retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Inventories

Nickel and gold is physically measured and valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Production costs include the cost of raw materials, direct labor, other direct costs and related mine-site overhead expenses (based on normal operating capacity), including applicable depreciation on property, plant and equipment.

Supplies, spare parts and ore in stockpiles are valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method.

Net realizable value is the estimated selling price in the normal course of business, less estimated costs of completion and applicable selling expenses.

Property, plant and equipment

Exploration costs incurred on a property in production are capitalized in property, plant and equipment and depreciated over the underlying property estimated recoverable ore on the basis of the related area of interest.

Buildings and equipment related to mining production are recorded at cost and depreciated net of residual value, using the units of production method, over the expected operating life of the mine based on estimated recoverable ore. However, if the anticipated useful life of the asset is less than the life of the mine, depreciation is based on its anticipated useful life.

Mining equipment is recorded at acquisition cost. Depreciation is provided for using the declining balance method at a rate of 30%, with the exception of depreciation of the mining equipment, which is calculated according to the hours-of-use method based on its estimated useful life. The depreciation expense remains capitalized for mining assets not in commercial production and will be recognized in the consolidated statement of comprehensive loss gradually as the mining properties are put into commercial production.

Commercial production

Prior to reaching pre-determined levels of operating capacity intended by management, costs incurred are capitalized as part of property, plant and equipment, and proceeds from sales are offset against capitalized costs. Depletion of capitalized costs for mining properties begins when pre-determined levels of operating capacity intended by management have been reached. Management considers several factors in determining when a mining property has reached levels of operating capacity intended by management, including:



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- when the mine is substantially complete and ready for its intended use;
- the ability to sustain ongoing production at a steady or increasing level;
- the mine has reached a level of pre-determined percentage of design capacity;
- mineral recoveries are at or near the expected production level, and;

Commercial production will be declared on the first day of the calendar month following achievement of the above milestones. Once in commercial production, the capitalization of certain mine development and construction costs cease. Subsequent costs are either regarded as forming part of the cost of inventory or expensed. However, any costs relating to mining asset additions or improvements or mineable reserve development are assessed to determine whether capitalization is appropriate gain or loss.

c) Recent Accounting standards and interpretations not yet adopted

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued this standard which is effective for periods beginning on or after January 1, 2018 and is to be applied retrospectively or a modified retrospective approach. IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. IFRS 15 will also result in enhanced disclosures for revenue, provide guidance for transactions that were not previously addressed comprehensively (i.e. service revenue and contract modifications) and improve guidance for multiple-element arrangements. The Corporation intends to adopt IFRS 15 in its financial statements for the annual period beginning January 1, 2018, and may consider earlier adoption. The Corporation has not yet determined the effect of adoption of IFRS 15 on its consolidated financial statements.

IFRS 16, Leases

In January 2016, the IASB issued this standard which is effective for periods beginning on or after January 1, 2019, which replaces the current guidance in IAS 17, Leases, and is to be applied either retrospectively or a modified retrospective approach. Early adoption is permitted, but only in conjunction with IFRS 15. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflective of future lease payments and a 'right-of-use asset' for virtually all lease contracts. The Corporation has not yet determined the effect of adoption of IFRS 16 on its consolidated financial statements.

3. ACQUISITION OF SLM

On February 1, 2016 the Corporation subscribed for shares representing a 20% interest in SLM for a cash consideration of \$2,500.

On March 15, 2016 the Corporation acquired an additional 46% interest in SLM in exchange for 31,937,831 common shares and obtained control over SLM. During the period from February 1 to March 15, 2016 the Corporation recorded its 20% share of the income of SLM for \$194 and since the acquisition 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 SLM meets the definition of a business combination.

The common shares issued by the Corporation were valued at \$0.20 per share, which was the closing share price on March 15, 2016, the date the shares were issued for a total share consideration of \$6,387. The fair value of the 20% interest already held at the time of the acquisition of control is estimated at \$2,766 resulting in a gain of \$71 which is recorded in the consolidated statement of comprehensive loss for the three-month period ended March 31, 2016.

As the Corporation only acquired 66% of SLM, the cost of the group included the estimated fair value of the non-controlling interests of \$4,676, which was inferred from the share consideration paid by the Corporation for its 66% interest.

Purchase price

Fair value of initial 20% interest in SLM shares already held	\$2,766
Shares issued for the acquisition of the 46% interest in SLM shares paid by the issuance of 31,937,831 common shares	6,387
Non-controlling interests (34%)	4,676
<hr/>	
Purchase consideration	<hr/> \$13,829

Fair value of net assets acquired

Cash and cash equivalents	\$4,232
Accounts receivable	2,559
Prepays	51
Inventories	1,575
Property, plant, and equipment	37,922
Accounts payable and accrued liabilities	(8,357)
Borrowings	(21,987)
Asset retirement obligation	(348)
Deferred income tax liability	(1,818)
<hr/>	
Net identifiable assets	<hr/> \$13,829

The above fair value of the purchase consideration and net assets acquired is preliminary and based on the best available information at this time. The adjustments and allocations of the estimated consideration transferred are based in part on preliminary estimates of the fair value of assets acquired and liabilities assumed. The fair value adjustments have been included in property, plant and equipment. The final determination of the consideration transferred and the related allocation will be completed after asset and liability valuations are finalized in the coming quarter.

Acquisition costs of \$613, in connection with the acquisition of SLM are included in general and administrative expenses.

In addition to the initial subscription in February 2016, the Corporation obtained the right (but not the obligation) to acquire all of the SLM shares not already owned by the Corporation for additional shares of the Corporation, subject to required approvals, during the period commencing April 1, 2016 and ending September 20, 2016 at an initial exchange ratio of 1.8501 in April 2016, increasing by 1.5% in



each subsequent month until the end of month 5 (August 2016) and then by 1% in month 6 (September 2016).

4. AMOUNTS RECEIVABLE AND PREPAIDS

Amounts receivable and prepaids consist of the following:

	March 31, 2016	December 31, 2015
Trade accounts receivable	\$1,590	\$-
Deposits	51	-
Prepaids	279	138
Other	359	577
Balance, end of period	\$2,279	\$715

5. INVENTORIES

Inventories consist of the following:

	March 31, 2016	December 31, 2015
Gold ore	\$903	
Store stocks	187	\$-
Fuel	50	-
Refined precious metals	2,356	-
	\$3,496	\$-

6. INVESTMENTS IN ASSOCIATE

At January 1, 2016, the Corporation held a direct 19.1% interest in SPC.

In March 2016, SPC closed a private placement of 9,686,290 common shares for gross proceeds of \$3,177. The Corporation participated in the private placement and acquired an additional 446,429 SPC common shares for cash consideration of \$125. After giving effect to the financing, the Corporation now holds a 15.7% interest in SPC and recorded a dilution gain of \$80 on the deemed disposal of its ownership interest. Management has determined that its investment in the common shares of SPC still gives it significant influence over SPC. As a result, the Corporation continued to apply the equity method of accounting for its investment in SPC. SPC's financial year-end is August 31 to satisfy the reporting requirements of its majority shareholder. The Corporation's share of SPC's loss and comprehensive loss was calculated using SPC's financial results from December 1, 2015, to February 28, 2016, and taking into account any changes in the subsequent period from March 1 to March 31, 2016, that would materially affect the results.

Summarized financial information relating to the Corporation's investment in SPC is as follows:



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	Three months ended March 31,	
	2016	2015
Share of (loss) income and comprehensive (loss) income	\$(5)	\$5

The following table reflects the continuity of the Corporation's investment in SPC common shares:

	March 31, 2016	December 31, 2015
Balance as at January 1	\$1,525	\$1,476
Acquisition	125	-
Gain on dilution of associate	80	-
Share of (loss) income and comprehensive (loss) income	(5)	49
Balance, end of period	\$1,725	\$1,525

7. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Vehicles	Camp, Furniture and equipment	Beta-Hunt mine	Under- ground Equip- ment	Mine Buildings	Total
Three months ended March 31, 2016							
Opening net book amount	\$526	\$17	\$608	-	-	-	\$1,151
Additions	-	23	15	466	-	-	504
Acquisitions (note 3)	-	210	121	36,468	1,058	65	37,922
Depreciation for the period	(6)	(3)	(42)	(50)	(9)	-	(110)
Closing net book amount	\$520	\$247	\$702	\$36,884	\$1,049	\$65	\$39,467
At March 31, 2016							
Cost	\$792	\$358	\$1,349	\$36,934	\$1,058	\$65	\$40,556
Accumulated depreciation	(272)	(111)	(647)	(50)	(9)	-	(1,089)
Net book amount	\$520	\$247	\$702	\$36,884	\$1,049	\$65	\$39,467
Three months ended March 31, 2015							
Opening net book amount	\$685	\$25	\$785	-	-	-	\$1,495
Depreciation for the period	(7)	(2)	(45)	-	-	-	(54)
Closing net book amount	\$678	\$23	\$740	-	-	-	\$1,441
At March 31, 2015							
Cost	\$972	\$125	\$1,213	-	-	-	\$2,310
Accumulated depreciation	(294)	(102)	(473)	-	-	-	(869)
Net book amount	\$678	\$23	\$740	-	-	-	\$1,441

The carrying value of property, plant and equipment held under finance leases at March 31, 2016 was \$80 (March 31, 2015: \$83).

**8. MINERAL PROPERTY INTERESTS**

Exploration and evaluation expenses	Dumont	West		Total
		Raglan	Qiqavik	
Balance as at January 1, 2016	\$59,148	\$10,142	\$-	\$69,290
Property acquisition and maintenance	129	123	32	284
Depreciation	9	35	-	44
Engineering and technical support	543	-	-	543
Exploration	74	10	115	199
Environmental, community and permitting	131	14	-	145
Share-based payments	107	-	-	107
Balance as at March 31, 2016	\$60,141	\$10,324	\$147	\$70,612

9. CREDIT FACILITY

SLM has a revolving nickel inventory finance facility in place with an Australian bank. The facility allows SLM to draw funds based on preliminary assays and the available facility is based on the expected nickel sales receivable.

The facility bears interest at 6.5% and is secured by all nickel sales receivables. As of the March 15, 2016 acquisition and as of March 31, 2016, the facility was undrawn.

10. LONG-TERM DEBT**Senior Secured Facility**

SLM has a Senior Secured Metal Prepay Agreement (the "MPA" facility) with LRC-SLM L.P. ("LRC", a subsidiary of Lascaux Resource Capital Fund, L.P. The MPA facility initially provided a US\$15,000 senior secured facility which bears interest at 9.5%. The MPA facility is secured by a first ranking charge over the assets and undertakings of SLM and by the SLM common shares owned by the Corporation. The MPA facility contains covenants which are customary for a facility of this nature, including with respect to minimum cash balances and minimum resource and reserve base. Under the MPA facility, repayments are to be made each month in nickel tonnes and each quarter in gold ounces as per a repayment schedule. Additional nickel repayment units are payable for nickel production above the agreed budget. Ten percent of excess nickel production is payable in advance, thereby reducing the total nickel tonnes overall. A monthly gold repayment is required equal to 3% of gold produced.

The MPA facility is also subject to the following:

- A nickel payment, calculated at US\$75 per nickel tonne sold, excluding nickel tonnes repayments made under the facility; and
- A gold payment, calculated at 3% per gold ounces produced, excluding gold ounces repayments made under the facility

At March 31, 2016 the outstanding amounts to be delivered under the MPA was 1,284 payable nickel tonnes and 4,800 gold ounces, respectively.

SLM has established a past practice of settling in cash with LRC the metals to be delivered under the MPA. Consequently, the obligation to deliver the metals are accounted for as embedded forward



contracts combined to a US\$ denominated debt host corresponding to the imputed cash legs of the embedded forward contracts and the cash interest payments required under the MPA.

The debt host reflects an effective rate of 9.5%.

The initial fair value of the MPA facility at acquisition of SLM was \$21,987. The Corporation recognized a \$613 unrealized foreign exchange gain in the period to March 31, 2016 and the fair value at March 31, 2016 was \$21,374

The fair value of the embedded derivatives is classified in Level 2 of the fair value hierarchy. An increase (decrease) of 5% across the price curve of nickel and gold would not materially increase (decrease) the fair value of the embedded derivatives.

11. SHARE INCENTIVE PLAN

Share Purchase Options

During the three months ended March 31, 2016, Nil (2015: 725,000) share options were granted and the weighted average fair value of each share purchase option granted during the period, as estimated at the time of the grant, was \$Nil (2015: \$0.16). This was calculated using the Black-Scholes option pricing model, using the following weighted average assumptions:

	Three months ended March 31,	
	2016	2015
Share price	-	\$0.35
Exercise price	-	\$0.35
Risk free interest rate	-	1.0%
Expected life	-	3.0 years
Expected forfeiture rate	-	6%
Expected volatility	-	70%
Expected dividends	-	nil

As at March 31, 2016, 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	
\$0.18–\$0.99	12,757,196	3.7	\$0.42	10,225,697	3.6	\$0.44	
\$1.00–\$1.99	1,075,656	2.0	\$1.27	1,075,656	2.0	\$1.27	
\$2.00–\$2.50	510,000	3.2	\$2.24	510,000	3.2	\$2.24	
	14,342,852	3.5	\$0.55	11,811,353	3.4	\$0.60	

Deferred Share Units

During the three months ended March 31, 2016, Nil (2015: 180,000) deferred share units were redeemed for cash at a redemption price of \$Nil (2015: \$0.34) per deferred share unit.



Restricted Share Units

During the three months ended March 31, 2016, 477,747 (2015: 425,909) restricted share units were granted all of which vested immediately pursuant to directors' election to receive restricted share units in lieu of directors fees. A portion of restricted share units granted in 2015 were pursuant to management's election to receive restricted share units in lieu of a portion of their salary.

During the three months ended March 31, 2016, Nil (2015: 234,630) restricted share units were redeemed for cash at a redemption price of \$Nil (2015: \$0.34) per restricted share unit for a total cash payment of \$Nil (2015: \$80).

The following table reflects the continuity of restricted share units for the three months ended March 31, 2016:

	Number of Restricted Share Units
Balance as at January 1, 2016	4,282,225
Granted	477,747
Balance as at March 31, 2016	4,759,972

Included in the 4,759,972 restricted share units outstanding as at March 31, 2016, are 2,449,200 units that can only be settled for cash.

As at March 31, 2016, the weighted average remaining contractual life of the outstanding restricted share units was 2.3 years and 4,548,842 restricted share units were vested.

Share Appreciation Rights

There was no activity in share appreciation rights during the three months ended March 31, 2016. As at March 31, 2016, there were 906,000 share appreciation rights outstanding.

The weighted average fair value of each share appreciation right outstanding at the end of the period, as estimated as at March 31, 2016, was \$0.06 (2015: \$0.15). This was calculated using the Black-Scholes option pricing model, using the following assumptions:

	Three months ended March 31,	
	2016	2015
Share price	\$0.185	\$0.35
Base price	\$0.33	\$0.35
Risk free interest rate	0.53%	1.0%
Expected life	3.0 years	3.0 years
Expected volatility	70%	70%
Expected dividends	nil	nil

As at March 31, 2016, the weighted average remaining contractual life of the outstanding share appreciation rights is 4.0 years and nil share appreciation rights were vested.

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



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Three months ended March 31,

	2016	2015
Equity settled share-based payment transactions		
Share purchase options	\$34	\$87
Total equity settled share-based payment transactions	34	87
Cash settled share-based payment transactions		
Deferred share units	-	4
Restricted share units	96	97
Share appreciation rights	4	9
Mark-to-market adjustment for deferred and restricted share units and share appreciation rights	23	(56)
Total cash settled share-based payment transactions	123	54
Accrued share-based payment transactions	74	73
Total expense arising from share-based payment transactions	\$231	\$214

The carrying amounts of the liabilities relating to deferred and restricted share units and share appreciation rights as at March 31, 2016, are \$203, \$878 and \$46 respectively (at December 31, 2015: \$198, \$759 and \$38 respectively).

12. GENERAL AND ADMINISTRATIVE EXPENSES

Three months ended March 31,

	2016	2015
Expense by nature		
Salaries, wages and benefits	\$268	\$230
Severance	-	62
Share-based payments (note 7)	231	214
Professional fees	117	38
Consulting fees	125	81
Public company expenses	65	34
Office and general	242	216
Conference and travel	106	17
Investor relations	127	166
Business development	421	67
Acquisition costs	613	-
Depreciation and amortization	11	15
	\$2,326	\$1,140

13. LOSS PER SHARE

Three months ended March 31,

	2016	2015
Loss attributable to RNC shareholders	\$1,696	\$251
Weighted average number of common shares	137,051,542	109,743,645
Loss per share attributable to RNC shareholders – basic and diluted	\$0.01	\$0.00

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 months ended March 31, 2016, and 2015, and accordingly, basic and diluted loss per share are the same.

**14. RELATED PARTY TRANSACTIONS**

The following table reflects the remuneration of key management, which consists of the Corporation's directors and executive officers, and other related party transactions:

Remuneration of key management	Three months ended March 31,	
	2016	2015
Management salaries and benefits	\$291	\$197
Share-based payments – Management	131	195
Directors fees (note 9)	-	-
Share-based payments – Directors	89	102
Mark-to-market adjustment for share-based payments	30	(79)
	\$541	\$415

Management salaries and benefits during the three months ended March 31, 2016 include compensation for SLM's key management since the Corporation acquired SLM. Management salaries and benefits during the three months ended March 31, 2015 were reduced by share-based payments made in lieu of a portion of salaries (Note 11).

15. ASSET RETIREMENT OBLIGATION

The asset retirement obligation represents the legal and contractual obligation associated with the eventual closure and reclamation of the Corporation's exploration camp at the West Raglan project and the Beta Hunt Mine. The obligation consists of costs associated with reclamation, environmental monitoring, and the removal of tangible assets.

	March 31, 2016	December 31, 2015
Balance as at January 1	\$488	\$467
Acquisition of SLM (note 3)	348	-
Change in discount rate	-	17
Accretion expense	1	4
Balance, end of period	\$837	\$488

16. FINANCIAL RISK – FACTORS***Commodity Price Risk***

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in commodity prices. The Corporation is exposed to fluctuations in commodity prices from its sale of metals. From time to time the Corporation may purchase commodity put contracts to hedge the effect on revenues of changes in the price of metals it produces.. The total of these financial contracts represent 3,000 ounces gold and 168 tonnes nickel as at March 31, 2016. These contracts mature in April and May 2016 at an average forward price of US\$1,195 per ounce gold and US\$7,300 per tonne nickel. For a majority of nickel and gold delivered to the customers under the offtake or tolling agreements, the quantities and timing of settlement specified in the financial contracts matches final pricing settlement periods.. The fair value of these purchased put contracts at March 31, 2016 was \$40 included in accounts receivable. As at March 31, 2016, the Corporation's exposure to commodity price is limited to inventory of gold ore and gold metal and accounts receivable associated with provisional pricing of nickel ore sales. A 1% strengthening or weakening of the gold and nickel



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prices would have resulted in an approximate \$41 decrease/increase \$82 decrease/increase, respectively, in the Corporation's loss and comprehensive loss for the three months ended March 31, 2016. Refer to Note 8 for the exposure arising from the embedded nickel and gold agreements arising from the Senior Secured Facility.

Fair Value Risk

The carrying values of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and obligations under finance leases approximate their fair values due to their relatively short periods to maturity.

Other Financial Liabilities	As at March 31, 2016		As at December 31, 2015	
	Carrying value	Fair Value	Carrying value	Fair Value
Long-term debt (note 10) (level 2)	\$21,373	\$21,373	\$-	\$-

As at March 31, 2016, the Corporation is committed to minimum future principal and interest payments for its long term debt as follows:

Year ending March 31, 2017	\$ 7,097
Year ending March 31, 2018	10,389
Year ending March 31, 2019	7,192

17.COMMITMENTS

Royalties

The Corporation is required to pay Beta Hunt royalties to (i) Consolidated Minerals, 3% (at a nickel price under A\$17,500/t) or 5% (at a nickel price of A\$17,500 or greater) until total royalty payments reach A\$16 million; (ii) Western Australian state government, 2.5% in respect of gold and nickel; (iii) St Ives Gold Mining Company Pty Limited, 1% in respect of nickel and 6% in respect of gold; and (iv) Resource Income Fund LP, 0.5% in respect of nickel and 1.5% in respect of gold. These royalties are the only additional royalties to the ones described in the audited consolidated financial statements for the year ended December 31, 2015.

Operating Leases

As at March 31, 2016, the Corporation had outstanding operating and finance lease commitments totalling \$911, all of which had maturities less than three years.

**18. SEGMENTED INFORMATION**

The Corporation has exploration and evaluation activities in Canada and production activities in Australia. During 2016, the Corporation acquired the Beta Hunt mine in Australia and identified its reportable segments as defined below.

Three months ended March 31, 2016

	Dumont Canada	Beta Hunt Australia	West Raglan Canada	Corporate and other exploration Canada	Total
Revenue – Nickel Sales	\$-	\$1,452	\$-	\$-	\$1,452
Production and toll-processing costs	-	1,010	-	-	1,010
Royalty expense	-	187	-	-	187
Depreciation and amortization	-	61	-	-	61
General and administration	55	184	52	2,035	2,326
Operating income (loss)	(55)	10	(52)	(2,035)	(2,132)
Property, plant and equipment	555	36,547	455	92	37,649
Mineral property interest	60,141	-	10,324	147	70,612
Total assets	60,696	44,907	10,779	6,693	123,075

19. SUBSEQUENT EVENTS

On April 27, 2016, the Corporation completed the acquisition of VMS Ventures Inc. (“VMS”) by way of a plan of arrangement pursuant to which the Corporation acquired all of the issued and outstanding common shares of VMS, for a cash consideration of \$3,507, funded by a loan from VMS, and 36,000,000 common shares of the Corporation.

On May 9, 2016, the Corporation entered into an agreement with two underwriters, under which the underwriters agreed to purchase, on a bought deal basis, 17,060,000 common shares at a price of \$0.51 per common share for gross proceeds of \$8,701 (the “Offering”). The Corporation granted the underwriters an option, exercisable at the same price for a period of thirty days following closing of the Offering, to purchase up to an additional 15% of the Offering to cover over-allotments, if any. The Offering is expected to close on or about May 26, 2016 and is subject to the Corporation receiving all necessary regulatory approvals.