ROYAL NICKEL CORPORATION

(Doing business as RNC Minerals)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and Six Months Ended June 30, 2017 and 2016
(unaudited)

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Management's Responsibility for Financial Reporting

The accompanying unaudited condensed consolidated interim financial statements for Royal Nickel Corporation are the responsibility of its 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 consolidated 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 condensed consolidated 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 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 condensed consolidated interim 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

August 10, 2017

Royal Nickel Corporation

Consolidated Interim Balance Sheets

(Expressed in thousands of Canadian dollars)
(Unaudited)

	June 30, 2017	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents (note 1)	**$24,526**	$4,845
Amounts receivable and prepaid expenses (note 3)	**4,395**	5,463
Inventories (note 4)	**3,427**	5,422
Derivative financial assets (note 10)	**-**	2,195
Tax credits receivable	**70**	106
	32,418	18,031
Non-current assets		
Deposits and prepaid expenses	**24**	24
Property, plant and equipment (note 5)	**82,827**	65,969
Mineral property interests (note 6)	**46,025**	72,886
Investment in associate	**1,635**	1,666
Intangible assets	**42**	50
Tax credits receivable	**246**	126
Other investment	**110**	130
Derivative financial assets (note 10)	**-**	410
Total assets	**$163,327**	$159,292
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**$19,832**	$16,878
Share incentive plans	**1,442**	1,706
Current portion of long-term debt (note 7)	**1,632**	2,991
Deferred revenue (note 9)	**19,369**	20,951
Finance leases	**514**	1,383
Derivative financial liability (note 10)	**352**	365
	43,141	44,274
Non-current liabilities		
Share appreciation rights	**67**	108
Deferred revenue (note 9)	**8,242**	11,731
Asset retirement obligation	**1,235**	1,223
Deferred income tax liability (note 6)	**6,805**	12,869
Long-term debt (note 7)	**494**	-
Convertible debenture (note 8)	**13,321**	-
Finance leases	**173**	-
Derivative financial liability (note 10)	**124**	571
Other non-current liabilities and provisions	**600**	647
Total liabilities	**74,202**	71,423
EQUITY		
Share capital	**158,134**	157,919
Contributed surplus	**27,841**	27,525
Accumulated other comprehensive income	**320**	87
Deficit	**(100,988)**	(101,565)
Equity attributable to RNC shareholders	**85,307**	83,966
Non-controlling interests	**3,818**	3,903
Total equity	**89,125**	87,869
Total liabilities and equity	**$163,327**	$159,292

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

Going concern (note 1)
Commitment (note 18)
Subsequent events (note 19)

Consolidated Interim Statement of Earnings (Loss) and Comprehensive Earnings (Loss)

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

	Three Months ended June 30,		Six Months ended June 30,	
	2017	**2016**	**2017**	**2016**
Revenue	**$11,489**	$11,066	**$18,613**	$12,518
Cost of Operations				
Production and toll-processing costs	**7,852**	5,411	**13,420**	6,421
Royalty expense	**69**	384	**299**	571
General and administrative (note 12)	**1,182**	5,020	**3,058**	7,346
Depreciation and amortization	**3,075**	1,872	**5,687**	1,933
Operating Loss	**689**	1,621	**3,851**	3,753
Other expenses, net (note 15)	**199**	3,238	**1,921**	2,538
Loss before income tax	**888**	4,859	**5,772**	6,291
Deferred income tax expense (recovery)	**(5,802)**	109	**(6,264)**	282
Earnings (loss) for the period	**$4,914**	$(4,968)	**$492**	$(6,573)
Attributable to:				
RNC shareholders	*4,999*	*(5,827)*	**577**	*(7,523)*
Non-controlling interests	*(85)*	*859*	**(85)**	*950*
Other comprehensive loss for the period				
Currency translation adjustments	179	(683)	**233**	(683)
Comprehensive earnings (loss) for the period	**5,093**	(5,651)	**259**	(7,256)
Attributable to:				
RNC shareholders	*5,178*	*6,510*	**344**	*(8,206)*
Non-controlling interests	*(85)*	*(859)*	**(85)**	*950*
Earnings (loss) per share attributable to RNC shareholders				
Basic and diluted (note 13)	**$0.02**	$(0.03)	**$(0.00)**	$(0.04)

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

Royal Nickel Corporation

Consolidated Interim Statement of Cash Flows

(Expressed in thousands of Canadian dollars)
(Unaudited)

	Three Months ended June 30,		Six Months ended June 30,	
	2017	2016	**2017**	2016
Cash flow provided by (used in)				
OPERATING ACTIVITIES				
Earnings (loss) for the period	**$4,914**	$(4,968)	**$492**	$(6,573)
Excess of deferred revenues received over amounts earned	**(3,926)**	-	**(4,907)**	-
Items not involving cash:				
Depreciation and amortization	**3,075**	1,883	**5,687**	1,955
Deferred income tax	**(5,802)**	109	**(6,264)**	282
Other expenses (income) (note 16)	**(1,287)**	2,672	**2,254**	2,312
Deemed repayments from contribution loan-Reed Mine	**-**	(1,840)	**-**	(1,840)
Shares issued for consulting services	**197**	303	**212**	341
Share-based payments	**(456)**	1,530	**(62)**	1,747
Foreign exchange loss (gain)	**(591)**	836	**(1,760)**	374
	(3,876)	525	**(4,348)**	(1,402)
Changes in non-cash working capital				
Amounts receivable and prepaid expenses	**(1,954)**	(2,727)	**1,068**	(235)
Inventories	**564**	1,232	**1,995**	(2,022)
Accounts payable and accrued liabilities	**(3,073)**	3,124	**2,775**	3,887
	(8,339)	2,154	**1,490**	228
INVESTING ACTIVITIES				
Net proceeds on sale of Dumont (note 6)	**30,335**	-	**30,335**	-
Expenditures on mineral property interests	**(1,452)**	(1,105)	**(2,003)**	(2,740)
Acquisition of property, plant and equipment	**(10,571)**	(5,921)	**(21,142)**	(6,425)
Cash acquired on acquisition of SLM	**-**	-	**-**	4,232
Cash acquired on acquisition of VMS	**-**	1,167	**-**	1,167
Investment in SLM	**-**	-	**-**	(2,500)
Investment in associate	**-**	-	**-**	(125)
Proceeds on sale of property, plant and equipment	**-**	6	**-**	6
	18,312	(5,853)	**7,190**	(6,385)
FINANCING ACTIVITIES				
Issuance of shares, net of costs	**-**	8,118	**-**	8,118
Issuance of a convertible debenture (note 8)	**13,172**		**13,172**	
Issuance of long-term debt	**76**	-	**1,044**	-
Repayments of long-term debt	**(1,801)**	-	**(2,170)**	-
Exercise of options and warrants	**-**	262	**3**	262
Repayment of senior secured facility	**-**	(1,699)	**-**	(1,699)
Principal payments on finance leases	**(449)**	(496)	**(1,048)**	(502)
	10,998	6,185	**11,001**	6,179
Change in cash and cash equivalents	**20,971**	2,486	**19,681**	22
Cash and cash equivalents, beginning of period	**3,555**	7,170	**4,845**	9,634
Cash and cash equivalents, end of period	**24,526**	$9,656	**24,526**	$9,656
Components of cash and cash equivalents:				
Cash	**$621**	$3,635	**$621**	$3,635
Cash equivalents	**23,905**	6,021	**23,905**	6,021
	$24,526	$9,656	**$24,526**	$9,656

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

Royal Nickel Corporation

Consolidated Interim Statement of Changes in Equity

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

	Share Capital Number	Share Capital Amount	Contributed Surplus	Accumulated Other Comprehensive income	Deficit	Equity attributable to RNC shareholders	Non-controlling interest	Total Equity
Balance as at January 1, 2017	**276,161,507**	**$157,919**	**$27,525**	**$87**	**$(101,565)**	**$83,966**	**$3,903**	**$87,869**
Shares issued for consulting services	947,534	212	-	-	-	212	-	212
Exercise of stock options	20,000	3	-	-	-	3	-	3
Share-based payments	-	-	316	-	-	316	-	316
Earnings for the period	-	-	-	-	577	577	(85)	492
Other comprehensive loss	-	-	-	233	-	233	-	233
Balance as at June 30, 2017	**277,129,041**	$158,134	$27,841	**$320**	$(100,988)	**$85,307**	**$3,818**	$89,125

	Share Capital Number	Share Capital Amount	Contributed Surplus	Accumulated Other Comprehensive loss	Deficit	Equity attributable to RNC shareholders	Non-controlling interest	Total Equity
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	1,827,526	341	-	-	-	341	-	341
Acquisition of SLM – common shares initial acquisition	31,937,831	6,387	-	-	-	6,387	4,676	11,063
Acquisition of SLM – non-controlling interest	24,324,067	5,075	-	-	-	5,075	(5,075)	-
Acquisition of VMS	36,000,000	15,480	-	-	-	15,480	-	15,480
Public Offering and Overallotment	18,060,000	9,211	-	-	-	9,211	-	9,211
Public Offering and overallotment issue costs	-	(1,184)	91	-	-	(1,093)	-	(1,093)
Exercise of warrants for cash	468,183	207	(31)	-	-	176	-	176
Exercise of stock options	256,667	389	(303)	-	-	86	-	86
Share-based payments	-	-	270	-	-	270	-	270
Loss for the period	-	-	-	-	(7,523)	(7,523)	950	(6,573)
Other comprehensive loss	-	-	-	(683)	-	(683)	-	(683)
Balance as at June 30, 2016	**244,200,215**	**$148,957**	**$24,845**	**$(683)**	**$(80,227)**	**$92,892**	**$3,664**	**$96,556**

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

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**", "**RNC**", or "**RNC Minerals**") was incorporated on December 13, 2006, under the Canada Business Corporations Act. The Corporation's registered office is located at 357 Bay Street, Suite 800 Toronto, Ontario, Canada M5H 2T7.

The unaudited condensed consolidated interim financial statements of the Corporation as at and for the three and six month periods ended June 30, 2017, are comprised of RNC, its subsidiaries True North Nickel Inc. ("**TNN**"), Salt Lake Mining Pty Ltd. ("**SLM**'), and VMS Ventures Inc. ("**VMS**"), its 50% interest in Magneto Investments Limited Partnership ("**Magneto JV**") (note 6) 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 focused 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 precious metal, nickel and copper producer. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current mining operations or 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 June 30, 2017, the Corporation had negative working capital of $10,723, an accumulated deficit of $100,988 and had net earnings of $577 for the six-month period then ended. Working capital included cash and cash equivalents of $24,526, of which $22,000 is dedicated to the Magneto JV (for a description of the Magneto JV refer to note 6). 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 (SLM) and VMS' interest in the Reed Mine is dependent on management's ability to successfully ramp up its Beta Hunt Mine gold production (note 5) and 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 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.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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, 2016.

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 August 10, 2017.

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 with the exception of the following accounting policies adopted in the current quarter:

(i) Compound Instruments

The convertible debenture issued by the Corporation is considered to be a compound financial instrument that can be converted into common shares of the Corporation at the option of the holder, where the number of shares to be issued does not vary but where the fair value of the consideration will change because the Corporation's functional currency is in Canadian dollars while the convertible debenture is denominated in US dollars.

The compound financial instrument is recognized as a liability, with the initial carrying value of the convertible debenture (host) being the residual amount of the proceeds after separating the derivative component, which is recognized at fair value. Any directly attributable transaction costs are allocated to the host and derivative components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the host component of the compound financial instrument is measured at amortized cost using the effective interest method. The derivative component of the compound financial instrument is measured at fair value through profit and loss. Subsequent changes in fair value are recorded in the consolidated statements of loss and comprehensive loss.

(ii) Embedded Derivatives

Embedded derivatives are recorded at fair value separately from the host contract when their economic characteristics and risks are not clearly and closely related to those of the host contract. Subsequent changes in fair value are recorded in the consolidated statements of loss and comprehensive loss.

3. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

Amounts receivable consist of the following:

	June 30, 2017	December 31,2016
Trade accounts receivable	**$1,758**	$3,596
Deposits	**84**	73
Prepaid expenses	**745**	1,169
Commodity taxes	**561**	519
Other	**1,247**	106
	$4,395	$5,463

Trade accounts receivable represents the provisional value of SLM nickel in ore shipped for milling, for which the significant risks and rewards have transferred to a third party.

4. INVENTORIES

Inventories consist of the following:

	June 30, 2017	December 31,2016
Gold ore and gold in process	**$3,137**	$5,014
Supplies	**250**	365
Fuel	**40**	43
	$3,427	$5,422

5. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Vehicles	Camp, Furniture and equipment	Beta Hunt mine - Gold	Beta Hunt mine - Nickel	Reed mine	Under-ground Equip-ment	Mine Buildings	Total
Six months ended June 30, 2017									
Opening net book amount	**$525**	**$464**	**$909**	**$35,683**	**$7,202**	**$16,112**	**$5,021**	**$53**	**$65,969**
Pre-commercial gold cost of sales, net of gold revenue	-	-	-	20,642	-	-	-	-	**20,642**
Additions	352	397	93	-	518	-	462	-	**1,822**
Additions - mine development	-	-	-	8,485	-	-	-	-	**8,485**
Dispositions	(623)	(5)	(6)	-	-	-	-	-	**(634)**
Foreign exchange	-	8	13	776	200	-	132	1	**1,130**
Depreciation for the period	(17)	(41)	(162)	(8,475)	(419)	(5,029)	(441)	(3)	**(14,587)**
Closing net book amount	**$237**	**$823**	**$847**	**$57,111**	**$7,501**	**$11,083**	**$5,174**	**$51**	**$82,827**
At June 30, 2017									
Cost	$246	$899	$1,793	$72,439	$8,161	$22,040	$6,070	$65	**$111,713**
Accumulated depreciation	(9)	(78)	(947)	(15,685)	(349)	(10,957)	(963)	(14)	**(29,002)**
Foreign exchange	-	2	1	357	(311)	-	67	-	**116**
Net book amount	**$237**	**$823**	**$847**	**$57,111**	**$7,501**	**$11,083**	**$5,174**	**$51**	**$82,827**
At December 31, 2016									
Cost	$818	$621	$1,778	$43,312	$7,657	$22,040	$5,608	$65	**$81,899**
Accumulated depreciation	(293)	(150)	(857)	(7,210)	(264)	(5,928)	(522)	(10)	**(15,234)**
Foreign exchange	-	(7)	(12)	(419)	(191)	-	(65)	(2)	**(696)**
Net book amount	**$525**	**$464**	**$909**	**$35,683**	**$7,202**	**$16,112**	**$5,021**	**$53**	**$65,969**

Beta Hunt gold mine capitalized pre-commercial gold cost of sales, net of gold revenue is comprised of the following:

	Six months ended June 30, 2017
Balance as at January 1, 2017	**$17,006**
Revenue	**19,889**
Production and toll-processing costs	**(29,819)**
Royalty expense	**(1,945)**
Depreciation and amortization	**(8,767)**
Movement during the first six months	**20,642**
Balance as at June 30, 2017	**$37,648**

As a result of the successful mining and extraction rates achieved to date, the Beta Hunt gold operation has achieved commercial production during the latter part of the second quarter and will cease capitalization of pre-commercial costs effective July 1, 2017.

6. MINERAL PROPERTY INTERESTS AND INTEREST IN MAGNETO JV

Exploration and evaluation expenses

	Dumont	Magneto JV	West Raglan	Qiqavik	VMS Properties	Total
Balance as at December 31, 2016	**$58,000**	**$-**	**$10,486**	**$2,477**	**1,923**	**$72,886**
Acquisition	-	30,275	-	-	-	30,275
Property acquisition and maintenance	35	-	73	8	-	116
Depreciation	15	2	70	-	-	87
Engineering and technical support	398	11	14	-	-	423
Exploration	195	-	21	437	-	653
Environmental, community and permitting	24	329	-	47	-	400
Share-based payments	10	-	-	-	-	10
Tax credits, net	-	-	-	(148)	-	(148)
Partial recovery of impairment charge	1,216	-	-	-	-	1,216
Sale of Dumont property	(59,893)	-	-	-	-	(59,893)
Balance as at June 30, 2017	**$-**	**$30,617**	**$10,664**	**$2,821**	**$1,923**	**$46,025**

On April 20, 2017, RNC closed the joint venture transaction with Waterton Precious Metals Fund II Cayman, LP and Waterton Mining Parallel Fund Onshore Master, LP (collectively, "Waterton"). Under the terms of the transaction, RNC transferred its Dumont Nickel Project in the newly formed Magneto JV in return of US$22.5 million (CAD$30.3 million) and a 50% ownership in the Magneto JV. US$5 million (CAD$6.7 million) was paid directly to RNC and US$17.5 million (CAD$23.6 million) was injected into the Magneto JV on RNC's behalf by Waterton which is committed to further inject US$17.5 million (CAD$23.6 million). As at June 30,2017, the Magneto JV had cash of $22,000 which can only be used for its own business activities. An impairment charge of $5,042 was taken in 2016 to reduce the carrying value of the asset to $58,000. Reference is made to note 9 of the 2016 annual consolidated financial statements. Upon finalization, the sale resulted in a partial recovery of the 2016 impairment charge in the amount of $1,216. The transfer of certain assets to the Magneto JV also resulted in a net tax recovery of $4,898.

7. LONG-TERM DEBT

Long-term debt is comprised of the following:

	YA II PN Note Agreement (i)	IQ Loan (ii)	Dion Mortgage Loan (iii)	Total
Balance as at January 1, 2017	$ 2,991	$ -	$ -	$ 2,991
Additions	-	544	500	1,044
Repayments	(1,670)	-	(500)	(2,170)
Accretion expense	283	-	-	283
Change due to foreign exchange translation	(22)	-	-	(22)
Balance as at June 30, 2017	1,582	544	-	2,126
Less current portion	**1,582**	**50**	**-**	**1,632**
Non-current portion	**$ -**	**$ 494**	**$ -**	**$ 494**

(i) YA II PN Note Agreement

On November 14, 2016, the Corporation contracted an unsecured note payable with YA II PN, Ltd.which was fully repaid subsequent to quarter end (note 19).

(ii) IQ Loan

During the first six months of 2017, the Corporation borrowed $544 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.

(iii) Dion Mortgage Loan

On February 1, 2017, the Corporation entered into a $500 mortgage (the "Mortgage") with 2732-2304 Quebec Inc. with respect to certain properties (the "Mortgaged Properties") located in and around Launay, Quebec. Mortgage proceeds were advanced to the Corporation on February 1, 2017. Material terms of the Mortgage are as follows: (i) five-year term; (ii) the rate of interest is 12%; (iii) the principal is amortized over 60 months; and (iv) secured by the Mortgaged Properties. The Mortgage was fully repaid and the related security was released on April 20, 2017.

8. CONVERTIBLE DEBENTURE

On June 7, 2017, the Corporation issued a convertible debenture in the amount of US$10,000 ($13,482) to Waterton. The convertible debenture bears interest at a rate of 10% per annum, payable quarterly, and have a four year term. The Convertible Debenture is convertible at the holder's option into common shares of the Corporation at any time prior to the close of business on the earlier of the maturity date and the business day immediately preceding the date fixed for redemption thereof, at the conversion price of US$0.1912 for one common share, up to a maximum of 75% of the principal amount.

The Convertible Debenture is a compound financial instrument, which are in their entirety a financial liability. The initial carrying amount for the debt host represents the residual amount of the proceeds after separating out the fair value of the derivative which represents the value of the conversion option. Transaction costs of $310 were allocated to the host and will be accreted over the four year term. The table below shows the change in the carrying value of the Convertible Debenture during the six month period ending June 30, 2017:

	Six Months Ended June 30, 2017
Balance as at January 1, 2017	$ -
Additions	13,172
Change in fair value of derivative	610
Accretion expense	42
Change due to foreign exchange translation	(503)
Balance as at June 30, 2017	**$ 13,321**

The Corporation measured the derivative utilizing a binomial tree to determine future probable levels of its US dollar stock price based on the stock price's future expected volatility. Future expected volatility is estimated utilizing historical data over a time period equal to the residual maturity of the debenture. The valuation also incorporates a probability of default by the Corporation initially determined by calibrating the model's valuation to the debenture's issue price. At each time step and stock price level, the valuation technique determines whether conversion by the holder and redemption by the Corporation is optimal. The embedded options' future expected cash flows are discounted at an appropriate risk-free rate based on Canadian US Treasury bond yields and the CAD/USD forward rate. The table below summarizes the assumptions underlying the valuations on both the issue date and June 30, 2017:

	As at	
	June 7, 2017	June 30, 2017
Stock Price (in CAD)	$0.20	$0.21
CAD/USD Exchange Rate	$1.3509	$1.2964
Stock Price Volatility	50%	50%
Probability of Default	35%	35%
Loss Given Default	60%	60%
Risk Free Rate	2.4%	2.4%

9. DEFERRED REVENUE

The Corporation entered into sales arrangements with Auramet International LLC ("Auramet") for the sale of a portion of its future production of gold and copper. These arrangements were part of the financing reorganizations described in notes 5 and 10 parts (ii) and (iv) of the Corporation's annual consolidated financial statements for the year ended December 31, 2016. During the first six months of

2017, the Corporation received US$2,500 ($3,367) for the delivery of 1,125,000 pounds of copper under its Senior Secured Copper Loan. The arrangement is settled by seven monthly 75,000 pound copper deliveries from June 2017 to December 2017 and two 300,000 pound copper deliveries from January 2018 to February 2018. Pursuant to the copper loan increase, call options were issued to Auramet to fix the price of copper with a value at inception of $164 (note 10). The terms and conditions are identical to those described in the annual consolidated financial statements as referenced above.

As at June 30, 2017, the following contracts were outstanding. These contracts are excluded from the scope of IAS 39 and accounted for as executory contracts because they were entered into and continue to be held for the purpose of delivery in accordance with the Corporation's expected production schedule:

	Senior Gold Loan	Gold Working Capital Facilities	Senior Copper Loan	Total
SLM				
14,000 ounces of gold	$15,850	$-	$-	$15,850
2,846 ounces of gold	-	4,798	-	4,798
VMS				
2,400,000 pounds of copper	-	-	6,963	6,963
	15,850	4,798	6,963	27,611
Current portion	7,608	4,798	6,963	19,369
Non-current portion	$8,242	$-	$-	$8,242

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 June 30, 2017, 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 consolidated statement of loss and comprehensive loss on a mark to market basis and recorded in financial assets and liabilities. For the six months ended June 30, 2017, the table below summarizes the movements in derivative assets (liabilities):

	Six Months ended June 30 2017
Opening balance	**$1,669**
Fair value at inception – copper options (note 9)	**(164)**
Premium – copper put option	**(100)**
Settlement of matured derivatives during the period	**(1,986)**
Change due to foreign exchange	**499**
Net change in fair value of derivative instruments	**(394)**
Balance, end of period	**$(476)**

The following table summarizes the outstanding derivative positions at June 30, 2017:

	Maturity			Balance Sheet Classification	
SLM	**2017**	**2018**	**Total**	**Current (Liabilities)**	**Non-Current (Liabilities)**
Gold call option sell contracts					
Ounces	12,000	3,000	**15,000**	-	-
Average price per ounce (in AUD)	$1,900	$1,900	**$1,900**	-	-
Fair value asset (liability) at June 30, 2017	($19)	($124)	**($143)**	($19)	($124)
Gold forward sell contracts					
Ounces	28,420	-	**28,420**	-	-
Average price per ounce (in AUD)	$1,615	-	**$1,615**	-	-
Fair value asset (liability) at June 30, 2017	($223)	-	**($223)**	($223)	-
Nickel forward sell contracts					
Metric tonnes	60	-	**60**	-	-
Average price per tonne (in USD)	$9,000	-	**$11,050**	-	-
Fair value asset (liability) at June 30, 2017	($30)	-	**($30)**	($30)	-
VMS					
Copper call option sell contracts					
Pounds	4,000,000	-	**4,000,000**	-	-
Average price per pound (in USD)	$3.23	-	**$3.23**	-	-
Fair value asset (liability) at June 30, 2017	($80)	-	**($80)**	($80)	-
				($352)	**($124)**

The following table summarizes the outstanding derivative positions at December 31, 2016:

	Maturity			Balance Sheet Classification			
SLM	**2017**	**2018**	**Total**	**Current Assets**	**Non-Current Assets**	**Current (Liabilities)**	**Non-Current (Liabilities)**
Gold call option sell contracts							
Ounces	11,000	9,000	**20,000**	-	-	-	-
Average price per ounce (in AUD)	$1,900	$1,900	**$1,900**	-	-	-	-
Fair value asset (liability) at December 31, 2016	($140)	($571)	**($711)**	-	-	($140)	($571)
Gold forward sell contracts							
Ounces	18,550	5,200	**23,750**	-	-	-	-
Average price per ounce (in AUD)	$1,717	$1,720	**$1,717**	-	-	-	-
Fair value asset (liability) at December 31, 2016	$1,958	$410	**$2,368**	$1,958	$410	-	-
Nickel forward sell contracts							
Metric tonnes	168	-	**168**	-	-	-	-
Average price per tonne (in USD)	$11,050	-	**$11,050**	-	-	-	-
Fair value asset (liability) at December 31, 2016	$237	-	**$237**	$237	-	-	-
VMS							
Copper call option sell contracts							
Pounds	2,000,000	-	**2,000,000**	-	-	-	-
Average price per pound (in USD)	$3.30	-	**$3.30**	-	-	-	-
Fair value asset (liability) at December 31, 2016	($93)	-	**($93)**	-	-	($93)	-
Copper forward sell contracts							
Pounds	2,200,000	-	**2,200,000**	-	-	-	-
Average price per pound (in USD)	$2.47	-	**$2.47**	-	-	-	-
Fair value asset (liability) at December 31, 2016	($132)	-	**($132)**	-	-	($132)	-
				$2,195	**$410**	**($365)**	**($571)**

11. SHARE INCENTIVE PLAN

Restricted Share Units

During the six months ended June 30, 2017, 1,845,127 (2016: 671,711) restricted share units were granted all of which vested immediately pursuant to directors' election to receive restricted share units in lieu of directors fees.

During the six months ended June 30, 2017, Nil (2016: nil) restricted share units were redeemed.

The following table reflects the continuity of restricted share units for the six months ended June 30, 2017:

	Number of Restricted Share Units
Balance as at January 1, 2017	6,251,750
Granted	1,845,127
Balance as at June 30, 2017	**8,096,877**

Included in the 8,096,877 restricted share units outstanding as at June 30, 2017, are 4,184,400 units that can only be settled for cash.

As at June 30, 2017, the weighted average remaining contractual life of the outstanding restricted share units was 1.9 years and all restricted share units were vested.

12. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Expense by nature				
Salaries, wages and benefits	**$222**	$259	**$641**	$527
Share-based payments	**(392)**	1,530	**2**	1,761
Professional fees	**481**	241	**718**	358
Consulting fees	**313**	190	**442**	315
Public company expenses	**79**	105	**146**	170
Office and general	**201**	280	**627**	522
Conference and travel	**10**	130	**22**	236
Investor relations	**165**	305	**243**	432
Business development	**83**	9	**181**	430
Acquisition costs	**-**	1,960	**-**	2,573
Depreciation and amortization	**20**	11	**36**	22
	$1,182	$5,020	**$3,058**	$7,346

13. EARNINGS (LOSS) PER SHARE

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Earnings (loss) attributable to RNC shareholders	**$4,999**	$(5,827)	**$577**	$(7,523)
Weighted average number of common shares	**276,388,721**	204,481,250	**276,302,402**	170,722,345
Earnings (loss) per share attributable to RNC shareholders – basic and diluted	**$0.02**	$(0.03)	**$0.00**	$(0.04)

The effect of potential issuances of shares under stock options, warrants, deferred share units, convertible debenture and restricted share units would be anti-dilutive for the three and six month periods ended June 30, 2017 and 2016, and accordingly, basic and diluted loss per share are the same at June 30, 2017 because all of the potentially dilutive instruments are out of the money compared to the exercise price.

14. FINANCIAL INSTRUMENTS – FAIR VALUE

The carrying values of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and finance lease obligations 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, 2017		As at December 31, 2016	
Other Financial Liabilities	Carrying value	Fair Value	Carrying value	Fair Value
Note Agreement (note 7) (level 2)	**$1,582**	**$1,704**	$2,991	$3,485
IQ Loan (note 7) (level 2)	**544**	**544**	-	-
Convertible Debenture (note 8) (level 3)			-	-
Host	**8,925**	**9,230**	-	-
Derivative	**4,396**	**4,396**	-	-

15. OTHER EXPENSES (INCOME), NET

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Royal Nickel Corporation				
Share of gain (loss) of associates	**$26**	$50	**$31**	$(140)
Gain on dilution of associate	**-**	(3)	**-**	(83)
Gain on sale of mineral property interest	**-**	-	**(100)**	-
Partial recovery of impairment charge (note 6)	**(1,216)**	-	**(1,216)**	-
Gain on deemed disposition of associate	**-**	-	**-**	(71)
Unrealized gain on other investment	**30**	(20)	**20**	(40)
Change in fair value – embedded derivative (note 8)	**610**	-	**610**	-
Change in fair value – derivative financial instruments	**-**	210	**-**	210
Salt Lake Mining Pty Ltd.				
Finance costs	**502**	399	**590**	552
Loss on settlement of derivative financial instruments	**486**	-	**1,485**	-
Change in fair value – derivative financial instruments	**(879)**	-	**365**	-
Change in fair value – senior secured facility	**-**	1,887	**-**	1,887
Accretion – senior secured facility	**-**	503	**-**	503
VMS Ventures Inc.				
Change in fair value – derivative financial instruments	**(162)**	-	**29**	-
Accretion – contribution loan	**-**	257	**-**	257
Other				
Finance and other expense (income)	**(142)**	(185)	**(259)**	(201)
Foreign exchange loss (gain)	**944**	146	**366**	(330)
Gain on sale of property, plant and equipment	**-**	(6)	**-**	(6)
	$199	$3,238	**$1,921**	$2,538

16. SUPPLEMENTAL CASH FLOW INFORMATION

Other expense (income)

	Three Months ended June 30,		Six Months ended June 30,	
	2016	2016	**2017**	2016
Share of gain of associates	**$26**	$50	**$31**	$(140)
Gain on dilution of associate	**-**	(3)	**-**	(83)
Gain on deemed disposition of associate	**-**	-	**-**	(71)
Gain on sale of property, plant and equipment	**-**	(6)	**-**	(6)
Unrealized loss (gain) on derivative financial instrument	**(2,397)**	-	**1,004**	-
Accretion of asset retirement obligation	**2**	5	**4**	6
Settlement of matured derivative instruments	**2,086**	-	**2,086**	-
Unrealized loss (gain) on other investment	**30**	(20)	**20**	(40)
Accretion – long-term debt	**182**	759	**325**	759
Partial recovery of impairment charge	**(1,216)**	-	**(1,216)**	-
Change in fair value – senior secured facility	**-**	1,887	**-**	1,887
	$(1,287)	$2,672	**$2,254**	$2,312

Other supplemental information

	Three Months ended June 30,		Six Months ended June 30,	
	2017	2016	**2017**	2016
Interest received	**$196**	$-	**$178**	$-
Interest paid	**214**	478	**496**	615
Share-based payments in mineral property interests	**(101)**	372	**10**	479
Depreciation of property, plant and equipment in mineral property interests	**39**	43	**87**	87
Mineral property interests in accounts payable and accrued liabilities	**648**	323	**648**	323

17. SEGMENTED INFORMATION

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

Three months ended June 30, 2017

	Magneto JV Canada	Beta Hunt Nickel Mine Australia	Reed Mine Canada	West Raglan Canada	Corporate and other exploration Canada	Total
Revenue	$-	$1,864	$9,625	$-	$-	$11,489
Production and toll-processing costs	-	1,522	6,330	-	-	$7,852
Royalty expense	-	69	-		-	69
Depreciation and amortization	-	491	2,584	-	-	3,075
General and administration	51	405	67	131	528	1,182
Operating income (loss)	$(51)	$(623)	$644	$(131)	$(528)	$(689)

Six months ended June 30, 2017

	Magneto JV Canada	Beta Hunt Nickel Mine Australia	Reed Mine Canada	West Raglan Canada	Corporate and other exploration Canada	Total
Revenue	$-	$2,845	$15,768	$-	$-	$18,613
Production and toll-processing costs	-	2,188	11,232	-	-	$13,420
Royalty expense	-	299	-		-	299
Depreciation and amortization	-	678	5,009	-	-	5,687
General and administration	51	415	104	173	2,315	3,058
Operating income (loss)	$(51)	$(735)	$(577)	$(173)	$(2,315)	$(3,851)
Property, plant and equipment	$230	$7,501	$11,550	$350	$63,196	$82,827
Mineral property interest	30,616	-	1,923	10,664	2,822	46,025
Total assets	30,846	7,501	23,228	11,014	90,738	163,327

Three months ended June 30, 2016

	Dumont Canada	Beta Hunt Nickel Mine Australia	Reed Mine Canada	West Raglan Canada	Corporate and other exploration Canada	Total
Revenue	$-	$4,455	$6,611	$-	$-	$11,066
Production and toll-processing costs	-	1,663	3,748	-	-	5,411
Royalty expense	-	384	-	-	-	384
Depreciation and amortization	-	690	1,182	-	-	1,872
General and administration	30	410	121	55	4,404	5,020
Operating income (loss)	$(30)	$1,308	$1,560	($55)	$(4,404)	$(1,621)

Six months ended June 30, 2016

	Dumont Canada	Beta Hunt Nickel Mine Australia	Reed Mine Canada	West Raglan Canada	Corporate and other exploration Canada	Total
Revenue	$-	$5,907	$6,611	$-	$-	$12,518
Production and toll-processing costs	-	2,673	3,748	-	-	6,421
Royalty expense	-	571	-	-	-	571
Depreciation and amortization	-	751	1,182	-	-	1,933
General and administration	85	594	121	107	6,439	7,346
Operating income (loss)	$(85)	$1,318	$1,560	$(107)	$(6,439)	$(3,753)

Refer to note 5 for the information with respect to the Beta Hunt Gold Mine that remains in pre-commercial production in the second quarter of 2017.

18. COMMITMENT

In May 2017, the Corporation (through the Magneto JV) entered into an Impact and Benefit Agreement (IBA) with the Abitibiwinni First Nation (AFN) for the Dumont Nickel Project. The IBA serves as a framework to govern the relationship with the AFN and lays out the commitments of the parties regarding the impacts and benefits of the Dumont Project. The IBA provides for meaningful AFN participation in the Dumont Project through training, employment, business opportunities, collaboration in environmental protection and other means. The IBA includes a mechanism by which the AFN will benefit financially from the success of the project on a long term basis.

19. SUBSEQUENT EVENTS

On July 7, 2017, the Corporation announced that its TNN subsidiary arranged approximately $6.4 million in financing to fund the 2017 exploration programs at its Qiqavik property in northern Québec and the Jones-Keystone/Loflin and Landrum-Faulkner properties located in the Carolina Gold Belt.

On July 11, 2017, the Corporation completed the toll processing and purchase option agreements with Westgold Resources Limited ("Westgold") it had announced on February 13, 2017. Ore processing under the toll agreement commenced in July 2017. The purchase option agreement sets forth the detailed terms under which the Corporation would acquire Westgold's South Kalgoorlie Operations ("SKO") in the event the Corporation elects to exercise the option. the Corporation has not yet made a determination as to whether it will exercise the option. Under the tolling agreement, Westgold has granted the Corporation access to 50% of its plant capacity at SKO on an approximate three weeks on / three weeks off basis during the 12 month term of the agreement. The Corporation will pay Westgold toll processing fees on a fixed plus variable arrangement on commercial terms. It is anticipated that the total toll processing and transportation costs will be materially lower than the Corporation’s existing arrangements. On July 13, 2017, the Corporation issued a total of 23,431,019 shares in exchange for these tolling rights and the option to acquire the SKO business.

On July 11, 2017, the Corporation signed and closed a US$3.3 million extension of the existing Copper Prepayment Agreement with Auramet with respect to RNC's 30% share of metals production at the Reed Mine operated by Hudbay Minerals Inc. Auramet agreed to extend the current copper prepayment arrangements through an additional US$3.3 million advance in exchange for the delivery of 1.5 million pounds of copper (300,000 pounds per month commencing on March 30, 2018 and ending on July 31, 2018). An upfront fee of 2% of the prepayment amount was paid to Auramet under the terms of the extension.

On July 25, 2017, TNN entered into an amalgamation agreement with Focused Capital Corp. and its wholly-owned subsidiary (“Focused Subco”) pursuant to which Focused Subco and TNN will amalgamate. Prior to the amalgamation, TNN intends to complete a private placement of $1,735 in subscription receipts at a price of $0.50 per subscription receipt and $1,236 in flow-through subscription receipts at a price of $0.55 per flow-through subscription receipt.

On August 8, 2017, the Corporation restructured its unsecured note payable which is referred to as the YA II PN Note Agreement in note 7. Under the terms of the restructuring, the lender advanced US$3 million ($3.9 million) to the Corporation, of which US$1.35 million ($1.8 million) was used to repay the current facility. The facility bears 12% annualized interest. 75% of the principal and interest will be repaid, beginning three months after closing, in nine equal monthly payments (in months 3 to 11 following closing) and the remaining 25% will be a bullet payment (in month 12 following closing). As part of the transaction, the Corporation issued 5.9 million 24 month warrants to the lenders, exercisable at a strike price of $0.24 per share.