



ROYAL NICKEL CORPORATION

CONDENSED INTERIM FINANCIAL STATEMENTS

Three Months Ended March 31, 2014
(Unaudited)

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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 unaudited condensed 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 interim financial statements and (ii) the unaudited condensed 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 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/ Mark Selby

Mark Selby
Interim President and Chief Executive Officer

/s/ Fraser Sinclair

Fraser Sinclair
Chief Financial Officer

Toronto, Canada

May 8, 2014



Royal Nickel Corporation

Notice of No Auditor Review of Unaudited Condensed Interim Financial Statements

The Corporation's independent auditors have not performed a review of these unaudited condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.



Royal Nickel Corporation

Interim Balance Sheets

(Expressed in thousands of Canadian dollars)
(Unaudited)

	March 31, 2014	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	\$9,714	\$11,908
Amounts receivable and prepaids	512	385
Tax credits receivable (note 9)	2,105	3,329
	12,331	15,622
Non-current assets		
Collateral investment (note 11)	2,000	2,000
Tax credits receivable (note 9)	266	192
Deposits and prepaids	199	174
Property, plant and equipment	932	943
Intangible assets	93	101
Mineral property interests (note 3)	56,991	55,805
Total assets	\$72,812	\$74,837
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$849	\$1,078
Deferred share units (note 4)	633	384
Restricted share units (note 4)	604	643
Current portion of finance lease obligation	65	23
	2,151	2,128
Non-current liabilities		
Share appreciation rights (note 4)	65	25
Finance lease obligation	-	47
Deferred income tax liability	10,167	10,019
Total liabilities	12,383	12,219
EQUITY		
Share capital	98,244	98,164
Contributed surplus	21,962	21,926
Deficit	(59,777)	(57,472)
Total equity	60,429	\$62,618
Total liabilities and equity	\$72,812	\$74,837

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 March 31	
	2014	2013
Expenses		
General and administrative (note 6)	\$2,219	\$1,396
Operating loss	(2,219)	(1,396)
Finance income	62	24
Loss before income tax	(2,157)	(1,372)
Deferred income tax expense (note 9)	148	411
Loss and comprehensive loss for the period	\$(2,305)	\$(1,783)
Loss per share		
Basic and diluted (note 7)	\$(0.02)	\$(0.02)

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 March 31,

	2014	2013
Cash flow provided by (used in)		
OPERATING ACTIVITIES		
Loss for the period	\$(2,305)	\$(1,783)
Items not involving cash		
Depreciation and amortization	16	22
Deferred income tax expense	148	411
Share-based payments (note 4)	566	3
	(1,575)	(1,347)
Changes in non-cash working capital		
Amounts receivable, prepaids and deposits	48	(189)
Redemption of restricted share units for cash (note 4)	(309)	-
Tax credit receivable	-	37
Accounts payable and accrued liabilities	44	20
	(1,792)	(1,479)
INVESTING ACTIVITIES		
Expenditures on mineral property interests	(1,573)	(3,678)
Net tax credits and mining duties received	1,187	-
Proceeds from disposal of property, plant and equipment	-	18
Acquisition of property, plant and equipment	(11)	(9)
	(397)	(3,669)
FINANCING ACTIVITIES		
Issuance of shares, net of issue costs	-	1,808
Principal payments on finance leases	(5)	(11)
	(5)	1,797
Change in cash and cash equivalents	(2,194)	(3,351)
Cash and cash equivalents, beginning of period	11,908	10,760
Cash and cash equivalents, end of period	\$9,714	\$7,409
Components of cash and cash equivalents:		
Cash	\$184	\$257
Cash equivalents	9,530	7,152
	\$9,714	\$7,409
SUPPLEMENTAL INFORMATION		
Interest paid	\$3	\$3
Share-based payments in mineral property interests	152	11
Depreciation of property, plant and equipment in mineral property interests	13	17
Property, plant and equipment recorded pursuant to a finance lease	-	91
Mineral property interests included in accounts payable and accrued liabilities	388	1,893

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



Royal Nickel Corporation

Interim Statements of Changes in Equity

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

(Unaudited)

	Share Capital		Contributed Surplus	Deficit	Total Equity
	Number	Amount			
Balance as at January 1, 2014	94,212,311	\$98,164	\$21,926	\$(57,472)	\$62,618
Redemption of restricted share units for shares (note 4)	200,000	80	-	-	80
Share-based payments	-	-	36	-	36
Loss and comprehensive loss for the period	-	-	-	(2,305)	(2,305)
Balance as at March 31, 2014	94,412,311	\$98,244	\$21,962	\$(59,777)	\$60,429
Balance as at January 1, 2013	90,069,932	\$95,922	\$22,823	\$(50,732)	\$68,013
Private placement – flow through common shares	4,000,000	2,000	-	-	2,000
Flow-through share premium on issuance		(720)	-	-	(720)
Private placement issue costs		(192)	-	-	(192)
Warrant valuation – private placement		(12)	12	-	-
Exercise of share purchase options on a cashless basis	42,379	-	-	-	-
Fair value of share purchase options exercised		1,141	(1,141)	-	-
Share-based payments	-	-	43	-	43
Loss and comprehensive loss for the period	-	-	-	(1,783)	(1,783)
Balance as at March 31, 2013	94,112,311	\$98,139	\$21,737	\$(52,515)	\$67,361

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



Royal Nickel Corporation

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 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, 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 March 31, 2014, the Corporation had working capital of \$10,180, had an accumulated deficit of \$59,777 and incurred a loss of \$2,305 for the three months then ended. Working capital included a current tax credits receivable of \$2,105 and cash and cash equivalents of \$9,714.

Management believes that the Corporation has sufficient funds to meet its obligations and planned expenditures 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 and fund its exploration, evaluation and development activities 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, a combination of strategic partnerships, joint venture arrangements, project debt finance, offtake financing, royalty financing and other capital markets alternatives. 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.



Royal Nickel Corporation

2. BASIS OF PREPARATION AND ADOPTION OF NEW ACCOUNTING STANDARDS

Statement of Compliance

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, 2013.

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 May 8, 2014.

Accounting Policies

The accounting policies and methods of computation applied in these unaudited condensed interim financial statements are consistent with those of the previous financial year.

3. MINERAL PROPERTY INTERESTS

Exploration and evaluation expenses	Dumont	Jefmar	Marbridge	Total
Balance as at January 1, 2014	\$54,384	\$294	\$1,127	\$55,805
Property acquisition and maintenance	72	-	-	72
Depreciation	13	-	-	13
Engineering and technical support	86	-	-	86
Exploration	350	-	33	383
Environmental, community and permitting	517	-	-	517
Share-based payments	152	-	-	152
Quebec refundable tax credits	(37)	-	-	(37)
Balance as at March 31, 2014	\$55,537	\$294	\$1,160	\$56,991

4. SHARE INCENTIVE PLAN

Share Purchase Options

There was no activity in share purchase options during the period. As at March 31, 2014, 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
\$0.27–\$0.99	3,431,500	5.9	\$0.37	2,202,830	6.1	\$0.41
\$1.00–\$1.99	525,000	4.5	\$1.04	525,000	4.5	\$1.04
\$2.00–\$2.50	517,000	5.2	\$2.24	517,000	5.2	\$2.24
	4,473,500	5.7	\$0.67	3,244,830	5.7	\$0.80



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Deferred Share Units

There was no activity in deferred share units during the period. As at March 31, 2014, there were 1,346,343 deferred share units outstanding all of which were vested.

Restricted Share Units

During the three months ended March 31, 2014, 972,106 (2013: nil) restricted share units were redeemed, 772,106 of which were redeemed for cash at a redemption price of \$0.40 per restricted share unit for a total cash payment of \$309; and the remaining 200,000 restricted share units were redeemed for 200,000 common shares of the Corporation.

The following table reflects the continuity of restricted share units for the three months ended March 31, 2014:

	Number of Restricted Share Units
Balance as at January 1, 2014	2,257,551
Redeemed	(972,106)
Balance as at March 31, 2014	1,285,445

Included in the 1,285,445 restricted share units outstanding as at March 31, 2014 are 557,143 units that can only be settled for cash.

As at March 31, 2014, the weighted average remaining contractual life of the outstanding restricted share units was 1.7 years and all restricted share units were vested.

Share Appreciation Rights

The following table reflects the continuity of share appreciation rights for the three months ended March 31, 2014:

	Number of Share Appreciation Rights	Weighted Average Base Price
Balance January 1, 2014	1,957,000	\$0.33
Forfeited	(500,000)	0.32
Balance March 31, 2014	1,457,000	\$0.33

The weighted average fair value of each share appreciation right outstanding at the end of the period, as estimated as at March 31, 2014, was \$0.25 (2013: \$0.20). This was calculated using the Black-Scholes option pricing model, using the following assumptions:

	Three months ended March 31,	
	2014	2013
Share price	\$0.47	\$0.38
Base price	\$0.33	\$0.40
Risk free interest rate	1.14%	1.17%
Expected life	2.4 years	3.4 years
Expected forfeiture rate	5%	5%
Expected volatility	70%	75%
Expected dividends	nil	nil

As at March 31, 2014, the weighted average remaining contractual life of the outstanding share appreciation rights is 6.5 years and nil share appreciation rights were vested.



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

	Three months ended March 31,	
	2014	2013
Equity settled share-based payment transactions		
Share purchase options	\$24	\$30
Total equity settled share-based payment transactions	24	30
Cash settled share-based payment transactions		
Restricted share units	-	1
Share appreciation rights	15	8
Mark-to-market adjustment for deferred and restricted share units and share appreciation rights	495	(111)
Total cash settled share-based payment transactions	510	(102)
Accrued share-based payment transactions	32	75
Total expense arising from share-based payment transactions	\$566	\$3

The carrying amounts of the liabilities relating to deferred and restricted share units and share appreciation rights as at March 31, 2014, are \$633, \$604 and \$65 respectively (at December 31, 2013: \$384, \$643 and \$25 respectively).

5. WARRANTS

The following table reflects the continuity of warrants for the three months ended March 31, 2014:

	Number of Warrants	Exercise Price
Balance as at January 1, 2014	240,000	\$0.50
Expired	(240,000)	0.50
Balance as at March 31, 2014	-	\$-

6. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended March 31,	
	2014	2013
Expense by nature		
Salaries, wages and benefits	\$640	\$672
Severance	196	-
Share-based payments (note 4)	566	3
Professional fees	49	191
Consulting fees	8	11
Public company expenses	46	48
Office and general	258	278
Conference and travel	62	39
Investor relations	188	64
Business development	190	68
Depreciation and amortization	16	22
	\$2,219	\$1,396



Royal Nickel Corporation

7. LOSS PER SHARE

	Three months ended March 31,	
	2014	2013
Loss attributable to common shares	\$(2,305)	(1,783)
Weighted average number of common shares	94,258,338	91,123,845
Loss per share – basic and diluted	\$(0.02)	\$(0.02)

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, 2014, and 2013, and accordingly, basic and diluted loss per share are the same.

8. 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,	
	2014	2013
Management salaries and benefits	\$294	\$391
Share-based payments – Management	70	122
Directors fees	98	98
Share-based payments – Directors	18	4
Mark-to-market adjustment for share-based payments	612	(131)
	\$1,092	\$484

9. INCOME TAX AND TAX CREDITS

The Corporation incurred a loss for tax purposes for the three months ended March 31, 2014, 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 three months ended March 31, 2014. These credits were recorded as a reduction to mineral property interests. Tax laws are complex and can be subject to different interpretations. Uncertainties exist with respect to the interpretation of tax regulations, including the determination of which mining exploration expenditures are eligible for refundable tax credits and the amount and timing of collection. The amounts recognized in the financial statements are derived from the Corporation's best estimation and judgment. The Corporation may be required to change its provision for income taxes if the tax authorities ultimately are not in agreement with the Corporation's interpretation.

The deferred tax expense for the three months ended March 31, 2014, is attributable to additional deferred tax liabilities relating to Quebec mining duties.



10. FINANCIAL RISK FACTORS

Financial Instruments

The Corporation is exposed to various financial risks resulting from both its operations and its investment activities. The Corporation's management manages financial risks. The Corporation does not enter into financial instruments agreements, including derivative financial instruments, for speculative purposes. The Corporation's main financial risks exposure and its financial policies are as follows:

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Corporation's credit risk is primarily attributable to amounts receivable, cash and cash equivalents and collateral investment (note 11). Amounts receivable mainly consists of interest receivable from Canadian chartered banks, goods and services tax due from the federal and Quebec governments, and mining tax credits due from the Quebec government. Management believes that the credit risk concentration with respect to financial instruments included in amounts receivable is minimal. The Corporation reduces its credit risk by diversifying its cash and cash equivalents investments with several major Canadian chartered banks.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not have sufficient cash resources to meet its financial obligations associated with financial liabilities as they come due. The Corporation's liquidity and operating results may be adversely affected by delays in receiving the tax credits receivable from the Quebec government (or securing financing against the tax credit) and if the Corporation's access to the capital market or other alternative forms of financing is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Corporation. The Corporation has historically generated cash flow primarily from its financing and investing activities. As at March 31, 2014, the Corporation had cash and cash equivalents of \$9,714 to settle current financial liabilities of \$914. All of the Corporation's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms with the exception of obligations under capital lease. The Corporation regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

Interest Rate Risk

The Corporation has cash balances and the Corporation's current policy is to invest excess cash in certificates of deposit or high interest savings accounts of major Canadian chartered banks. As of March 31, 2014, the Corporation had \$9,530 invested with various Canadian chartered banks bearing interest at variable rates. The collateral investment is held with a major Canadian bank and bears a fixed-rate of interest of 1.3%. Sensitivity to a plus or minus 1% change in the rates would affect the reported annual finance income by approximately \$95.

Fair Value Risk

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



Royal Nickel Corporation

11. COLLATERAL INVESTMENT

On September 25, 2013, the Corporation entered into an agreement with Hydro-Québec for the construction of a high voltage power transmission line to connect the Corporation's planned Dumont Nickel Project to Hydro-Québec's existing electricity distribution network (the "**Power Line Project**"). The estimated cost of the work involved is \$25,600 which is required to be financed and secured by the Corporation with eight irrevocable letters of credit. On April 22, 2014, the Corporation and Hydro-Québec agreed to amend the agreement to reflect the following revised schedule of letters of credit: (i) \$2,000 was issued on September 10, 2013, for which a collateral investment of \$2,000, in the form of a one year fixed-rate non-redeemable guaranteed investment certificate bearing interest at the rate of 1.30%, was made to secure the outstanding letter of credit; (ii) \$2,000 by July 1, 2014; (iii) \$2,000 by October 1, 2014; (iv) \$2,500 by January 1, 2015; (v) \$5,500 by April 1, 2015; (vi) \$6,000 by July 1, 2015; (vii) \$3,500 by October 1, 2015 and (viii) \$2,100 by January 1, 2016. Hydro-Québec is required to progressively release the letters of credit as the Corporation fulfills its power consumption commitment over a ten year commitment period.

Under the agreement, the Corporation has the ability to suspend any additional work and postpone, up to 12 months, the issue date of all unissued letters of credit. During the suspension period, the Corporation is required to pay Hydro-Québec a regulated rate of return on the value of the expenses incurred and committed from the start of the Power Line Project up to the date work is resumed, plus any additional costs resulting directly from the suspension of work. The Corporation also has the ability under the agreement to abandon the Power Line Project and cancel its obligation to issue any additional letters of credit. In the event of abandonment, the Corporation is required to reimburse Hydro-Québec the cost of all the work that it completed and committed as at the date of abandonment, a regulated rate of return on such costs, and any additional costs directly related to the abandonment including dismantling and site restoration costs where applicable.

12. SUBSEQUENT EVENT

On April 14, 2014, the Corporation acquired a 25% interest in Sudbury Platinum Corporation ("**SPC**") for cash consideration of \$1,500. SPC, a private subsidiary of Transition Metals Corp., holds an option to earn up to 70% of the Aer-Kidd property, which is 100%-owned by Canickel Mining Company Limited. Aer-Kidd is a 280 hectare property covering approximately 1.3 kilometres of the Worthington Offset Dyke located near Worthington, Ontario in the Sudbury Basin area. Under the terms of the investment, the Corporation has acquired six million units of SPC at a price of \$0.25 per unit representing a total consideration of \$1,500. Each unit consists of one SPC common share and one SPC common share purchase warrant. Each warrant entitles the Corporation to acquire one common share of SPC for a period of 18 months from the date of issue, at an exercise price of \$0.45 per share.