



ROYAL NICKEL CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and Nine Months Ended September 30, 2014

(Unaudited)

TABLE OF CONTENTS

Management's Responsibility for Financial Reporting	2
Consolidated Interim Balance Sheets	3
Consolidated Interim Statements of Comprehensive Loss	4
Consolidated Interim Statements of Cash Flows	5
Consolidated Interim Statements of Changes in Equity	6
Notes to Condensed Consolidated Interim Financial Statements	7

Management's Responsibility for Financial Reporting

The accompanying unaudited condensed consolidated interim financial statements for Royal Nickel Corporation ("RNC" or the "Corporation") are the responsibility of 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 financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Corporation, as of the date of and for the periods presented by the unaudited condensed 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/ Fraser Sinclair

Fraser Sinclair
Chief Financial Officer

Toronto, Canada

November 6, 2014

Consolidated Interim Balance Sheets

(Expressed in thousands of Canadian dollars)
(Unaudited)

	September 30, 2014	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	\$6,052	\$11,908
Amounts receivable and prepaids	661	385
Tax credits receivable (note 14)	503	3,329
	7,216	15,622
Non-current assets		
Collateral investments (note 16)	4,000	2,000
Investment in associate (note 5)	1,296	-
Other investment (note 6)	91	-
Tax credits receivable (note 14)	91	192
Deposits and prepaids	218	174
Property, plant and equipment	1,552	943
Intangible assets	112	101
Mineral property interests (note 3)	68,749	55,805
Total assets	\$83,325	\$74,837
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$1,834	\$1,078
Deferred share units (note 9)	592	384
Restricted share units (note 9)	550	643
Current portion of finance lease obligation	53	23
	3,029	2,128
Non-current liabilities		
Share appreciation rights (note 9)	102	25
Finance lease obligation	-	47
Asset retirement obligation (note 13)	466	-
Deferred income tax liability (note 14)	10,794	10,019
Total liabilities	14,391	12,219
EQUITY		
Share capital (note 7)	106,305	98,164
Contributed surplus	23,991	21,926
Deficit	(64,374)	(57,472)
Equity attributable to RNC shareholders	65,922	62,618
Non-controlling interests (note 4)	3,012	-
Total equity	68,934	62,618
Total liabilities and equity	\$83,325	\$74,837

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

Going concern (note 1)

Consolidated Interim Statements of Comprehensive Loss

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

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Expenses				
General and administrative (note 10)	\$1,232	\$1,334	\$6,163	\$4,214
Operating loss	(1,232)	(1,334)	(6,163)	(4,214)
Share of loss of associate (note 5)	(42)	-	(48)	-
Unrealized loss on derivative financial instruments (note 6)	(80)	-	(118)	-
Gain on dilution of associate	20	-	20	-
Finance income	37	63	139	135
Loss before income tax	(1,297)	(1,271)	(6,170)	(4,079)
Deferred income tax expense (note 14)	337	162	775	1,069
Loss and comprehensive loss for the period	\$(1,634)	\$(1,433)	\$(6,945)	\$(5,148)
Attributable to:				
RNC shareholders	\$(1,591)	\$(1,433)	\$(6,902)	\$(5,148)
Non-controlling interests	(43)	-	(43)	-
Loss per share attributable to RNC shareholders				
Basic and diluted (note 11)	\$(0.01)	\$(0.02)	\$(0.07)	\$(0.06)

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

Consolidated Interim Statements of Cash Flows

(Expressed in thousands of Canadian dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
Cash flow provided by (used in)	2014	2013	2014	2013
OPERATING ACTIVITIES				
Loss for the period	\$(1,634)	\$(1,433)	\$(6,945)	\$(5,148)
Items not involving cash				
Depreciation and amortization	53	22	86	66
Deferred income tax expense	337	162	775	1,069
Share of loss of associate	42	-	48	-
Unrealized loss on derivative financial instruments	80	-	118	-
Gain on dilution of associate	(20)	-	(20)	-
Accretion of asset retirement obligation	2	-	2	-
Share-based payments (note 9)	(258)	(65)	1,578	112
	(1,398)	(1,314)	(4,358)	(3,901)
Changes in non-cash working capital				
Redemption of restricted share units for cash	-	(37)	(309)	(37)
Amounts receivable, prepaids and deposits	48	282	30	233
Accounts payable and accrued liabilities	(483)	165	(241)	145
	(1,833)	(904)	(4,878)	(3,560)
INVESTING ACTIVITIES				
Expenditures on mineral property interests ("MPI")	(2,997)	(2,464)	(5,718)	(10,865)
Collateral investment (note 16)	-	(2,000)	(2,000)	(2,000)
Acquisition of intangible assets	(35)	-	(35)	-
Net tax credits and mining duties received	189	346	3,104	4,230
Investment in associate (note 5)	-	-	(1,533)	-
Acquisition of property, plant and equipment ("PP&E")	-	-	(11)	(9)
Proceeds on disposal of property, plant and equipment	-	3	-	21
Sale of NSR, net of transaction costs	-	(2)	-	14,540
	(2,843)	(4,117)	(6,193)	5,917
FINANCING ACTIVITIES				
Issuance of shares, net of issue costs	5,229	-	5,229	1,806
Exercise of options and warrants for cash	-	-	3	-
Principal payments on finance leases	(6)	(11)	(17)	(33)
	5,223	(11)	5,215	1,773
Change in cash and cash equivalents	547	(5,032)	(5,856)	4,130
Cash and cash equivalents, beginning of period	5,505	19,922	11,908	10,760
Cash and cash equivalents, end of period	\$6,052	\$14,890	\$6,052	\$14,890
Components of cash and cash equivalents:				
Cash	\$525	\$726	\$525	\$726
Cash equivalents	5,527	14,164	5,527	14,164
	\$6,052	\$14,890	\$6,052	\$14,890
SUPPLEMENTAL INFORMATION				
Interest paid	\$3	\$-	\$6	\$33
Share-based expense (recovery) in MPI	(66)	1	363	59
Depreciation of PP&E in MPI	13	15	40	48
Accrued issue costs related to public offering	105	-	105	-
PP&E recorded pursuant to a finance lease	-	-	-	91
MPI included in accounts payable and accrued liabilities	572	1,106	572	1,106

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, 2014	94,212,311	\$98,164	\$21,926	\$(57,472)	\$62,618	\$-	\$62,618
Redemption of restricted share units for shares	235,000	103	-	-	103	-	103
Acquisition of True North Nickel Inc. – common shares, warrants, share purchase options and non-controlling interests (note 4)	5,594,696	3,637	204	-	3,841	2,876	6,717
Exercise of share purchase options	10,000	3	-	-	3	-	3
Fair value of share purchase options exercised	-	19	(19)	-	-	-	-
Share-based payments	-	-	1,208	-	1,208	-	1,208
Public offering (note 7)	9,591,000	5,755	-	-	5,755	-	5,755
Warrant valuation – public offering (note 7)	-	(623)	623	-	-	-	-
Public offering – cash issue costs (note 7)	-	(629)	(75)	-	(704)	-	(704)
Public offering – compensation warrant valuation, net of issue costs (note 7)	-	(124)	124	-	-	-	-
Private placement – TNN (note 4)	-	-	-	-	-	179	179
Loss and comprehensive loss for the period	-	-	-	(6,902)	(6,902)	(43)	(6,945)
Balance as at September 30, 2014	109,643,007	\$106,305	\$23,991	\$(64,374)	\$65,922	\$3,012	\$68,934
Balance as at January 1, 2013	90,069,932	\$95,922	\$22,823	\$(50,732)	\$68,013	\$-	\$68,013
Private placement – flow through common shares	4,000,000	2,000	-	-	2,000	-	2,000
Flow-through share premium on issuance	-	(720)	-	-	(720)	-	(720)
Private placement – issue costs	-	(194)	-	-	(194)	-	(194)
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	-	-	122	-	122	-	122
Loss and comprehensive loss for the period	-	-	-	(5,148)	(5,148)	-	(5,148)
Balance as at September 30, 2013	94,112,311	\$98,137	\$21,816	\$(55,880)	\$64,073	\$-	\$64,073

The accompanying notes are an integral part of these consolidated interim 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

The Corporation 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 condensed consolidated interim financial statements of the Corporation as at and for the nine months ended September 30, 2014, are comprised of the Corporation, its subsidiary True North Nickel Inc. ("**TNN**"), and the Corporation's interest in its associate Sudbury Platinum Corporation ("**SPC**").

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.

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 September 30, 2014, the Corporation had working capital of \$4,187, had an accumulated deficit of \$64,374 and incurred a loss of \$1,634 for the three months then ended. Working capital included a current tax credits receivable of \$503 and cash and cash equivalents of \$6,052. Management estimates that these funds will not be sufficient to advance the Dumont project, meet obligations, and cover general and administrative expenses for the ensuing twelve months.

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, 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATION UNCERTAINTY

(a) Statement of compliance

These unaudited condensed consolidated 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 financial statements for the year ended December 31, 2013.

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 November 6, 2014.

(b) Basis of preparation

The accounting policies followed in these unaudited condensed consolidated interim financial statements are consistent with those of the previous financial year, except as described below:

Subsidiaries:

The Corporation’s financial statements consolidate the accounts of Royal Nickel Corporation and its subsidiary TNN.

Subsidiaries are all entities, including structured entities, over which the Corporation has control. The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date control is transferred to the Corporation and are de-consolidated from the date control ceases. Accounting policies of subsidiaries are consistent with the policies adopted by the Corporation. All intercompany transactions, balances and unrealized gains or losses from intercompany transactions are eliminated on consolidation.

Non-Controlling Interests:

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net income (loss) and other comprehensive income (loss) is recognized directly in equity even if the results of the non-controlling interests have a deficit balance.

The Corporation treats transactions with non-controlling interests as transactions with equity shareholders. Changes in the Corporation’s ownership interest in subsidiaries that do not result in loss of control are accounted for as equity transactions.

Associates:

The Corporation accounts for its investment in SPC as an investment in associate using the equity method.

An associate is an entity over which the investor has significant influence but not control and that is neither a subsidiary nor an interest in a joint arrangement. Significant influence is presumed to exist where the Corporation has between 20% and 50% of the voting rights, but can also arise where the Corporation has less than 20% if it has the power to be actively involved and influential in policy decisions affecting the entity.

The Corporation accounts for its investment in associates using the equity method. Under the equity method, the investment is initially recognized at cost, including transaction costs, and the carrying amount is increased or decreased to recognize the Corporation’s share of profits or losses of associates after the date of acquisition. The Company’s share of profits or losses is recognized in the consolidated statement of comprehensive loss. Adjustments are made to align inconsistencies between the Corporation’s accounting policies and its associate’s

policies, if any, before applying the equity method. The Corporation assesses at each period-end whether there is any objective evidence that its investments in associates are impaired. If impaired, the carrying value of the Corporation's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less costs of disposal and value in use) and charged to the consolidated statement of comprehensive loss.

(c) Financial instruments

The Corporation classifies its investment in SPC warrants (note 6) as financial assets at fair value through profit or loss.

A financial asset is classified as a financial asset at fair value through profit or loss if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of comprehensive loss. Gains and losses arising from changes in fair value are represented in the consolidated statement of comprehensive loss in the period in which they arise. Financial assets at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

(d) Provisions

A provision is recognized when the Corporation has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. The increase in the provision due to passage of time is recognized as finance costs. Changes in assumptions or estimates are reflected in the period in which they occur.

Provision for asset retirement obligations relating to legal and constructive obligations for the eventual closure of the Corporation's property, plant, equipment and exploration and evaluation assets, are recognized when incurred and a liability and corresponding asset are recorded at management's best estimate. The amount of any liability recognized is estimated based on the risk adjusted costs required to settle present obligations, discounted using a pre-tax risk-free discount rate consistent with the time period of expected cash flows. When the liability is initially recorded, the associated reclamation costs are capitalized as part of the carrying amount of the related asset.

(d) Significant judgments in applying accounting policies and key sources of estimation uncertainty

Many of the amounts included in the condensed consolidated interim financial statements require management to make judgments and/or estimates. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the condensed consolidated interim financial statements.

Areas of significant judgment and estimates affecting the amounts recognized in the condensed consolidated interim financial statements are consistent with those of the previous financial year, except as described below:

(i) Provision for asset retirement obligations

The Corporation's exploration activities are subject to various laws and regulations governing the protection of the environment. The Corporation recognizes management's best estimate for asset retirement obligations in the period in which they are incurred. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, timing of estimated cash flows and discount rates could affect the carrying amount of this provision.

(ii) Determination of significant influence

Management determines its ability to exercise significant influence over an investment in shares of other companies by looking at its percentage interest and other qualitative factors including but not limited to its voting rights, representation on the board of directors, participation in policy-making processes, material transactions between the Corporation and the associate, interchange of managerial personnel, provision of essential technical information and operating involvement.

(iii) Determination of business combinations and asset acquisitions

Management determines whether a transaction is a business combination by assessing whether the assets acquired and liabilities assumed constitutes a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. If it is determined that the assets acquired are not a business, the transaction is accounted for as an asset acquisition.

(iv) Accounting for asset acquisitions

The accounting for asset acquisitions requires the Corporation to allocate the cost of the acquisition to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. The determination of fair value requires that management make estimates.

3. MINERAL PROPERTY INTERESTS

Exploration and evaluation expenses	Dumont	Jefmar	Marbridge	West Raglan	Total
Balance as at January 1, 2014	\$54,384	\$294	\$1,127	-	\$55,805
Acquisition of TNN (note 4)	-	-	-	\$6,938	\$6,938
Property acquisition and maintenance	665	-	-	34	699
Depreciation	40	-	-	-	40
Engineering and technical support	2,272	-	-	-	2,272
Exploration	760	-	42	104	906
Environmental, community and permitting	1,673	-	-	16	1,689
Share-based payments	363	-	-	-	363
Quebec refundable tax credits	86	-	-	(49)	37
Balance as at September 30, 2014	\$60,243	\$294	\$1,169	\$7,043	\$68,749

4. ACQUISITION OF TNN

On June 17, 2014, the Corporation closed a transaction to acquire a 55.9% interest in TNN, a private company whose main asset is a 100% interest in the West Raglan nickel sulphide project located in Quebec. The Corporation issued the following consideration to the selling security holders: (a) 5,594,696 common shares of the Corporation, (b) 550,656 and 379,529 share purchase options of the Corporation with an exercise price and contractual life of \$1.48 and September 12, 2017, and \$0.74 and March 25, 2019, respectively, and (c) 660,787 and 249,067 warrants of the Corporation with an exercise price of \$2.07 and \$1.48 respectively, all of which expire on dates ranging from June 14, 2015 through September 20, 2015. Management could not reliably estimate the fair value of the TNN common shares received, hence it measured the fair value, and the corresponding increase in equity, indirectly by reference to the fair value of the equity instruments granted as consideration. Total consideration paid was \$3,943 and was determined using the closing share price of the Corporation's common shares on June 16, 2014, of \$0.65 per common share, including transactions costs of \$102. The weighted average fair value of the 930,185 share purchase options issued was \$0.19 each using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield 0%, expected volatility 74%, risk

free rate of return 1.1%, and an expected maturity of 2.4 years. The weighted average fair value of the 909,854 warrants issued was \$0.03 each using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield 0%, expected volatility 73%, risk free rate of return 1.1%, and an expected maturity of one year.

The Corporation has accounted for the acquisition as a purchase of assets and assumption of liabilities. The transaction did not qualify as a business combination under IFRS 3, Business Combinations, as significant inputs and processes that together constitute a business were not identified. The cost of the group has been allocated to the assets acquired and liabilities assumed based upon their estimated relative fair values at the date of acquisition. As the Corporation only acquired 55.9% of TNN, the cost of the group included the estimated fair value of the non-controlling interests of \$2,876, which was inferred from the consideration paid by the Corporation for its 55.9% interest.

Total consideration paid of \$3,943 was calculated as follows:

Issuance of 5,594,696 common shares	\$3,637
Fair value of 930,185 share purchase options issued	178
Fair value of 909,854 warrants issued	26
Transaction costs	102
Purchase consideration	\$3,943

The purchase consideration has been allocated as follows:

Current assets net of current liabilities, excluding cash of \$nil	\$(355)
Mineral property interests, including exploration supplies of \$128	6,938
Property, plant, and equipment	700
Non-current liabilities	(464)
Non-controlling interests (44.1%)	(2,876)
Net identifiable assets	\$3,943

During the three months ended September 30, 2014, TNN issued 1,711,635 common shares for proceeds of \$406. The financing was provided by its two shareholders, the Corporation (as to 55.9% or \$227) and the non-controlling shareholder (as to 44.1% or \$179), in direct proportion to their ownership interest.

5. INVESTMENTS IN ASSOCIATE

On April 14, 2014, the Corporation acquired a 24.9% interest in SPC for cash consideration of \$1,500 and incurred \$38 of transaction costs. SPC, a private subsidiary of Transition Metals Corp., owns 100% interest in the mineral rights of the Aer-Kidd nickel-copper-platinum group metals project. 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 acquired 6,000,000 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. The warrants represent derivative financial instruments that are classified as financial assets at fair value through profit or loss. The fair value of the warrants at the time of acquisition was estimated at \$209 using the Black-Scholes option pricing model with the following assumptions: share price \$0.21, expected dividend yield 0%, expected volatility 77%, risk free rate of return 1.1%, and an expected maturity of 1.5 years. The remaining amount of the purchase consideration of \$1,291 represented the fair value of the common shares acquired. Based on relative fair values, the transaction costs of \$38 were allocated to the common shares and warrants on a pro-rata basis of \$33 and \$5 respectively.

Under the terms of the investment, the Corporation has a pre-emptive right to maintain its pro-rata share position on all subsequent equity financings until October 14, 2015, and is entitled to appoint one director to the SPC board, provided the Corporation holds at least 10% and 15% of the equity in SPC respectively.

In August 2014, SPC closed a non-brokered private placement of 2,550,000 common shares for gross proceeds of \$638. After giving effect to the financing, the Corporation held a 22.5% interest in SPC and recorded a dilution gain of \$20 on the deemed disposal of its ownership interest. On October 14, 2014, SPC closed an additional non-brokered private placement of 4,761,905 common shares for gross proceeds of \$2,000. After giving effect to the financing, the Corporation's ownership interest in SPC was reduced to 19.1%.

At September 30, 2014, the Corporation held a 22.5% interest in SPC. Management has determined that its investment in the common shares of SPC gives it significant influence over SPC. As a result, the Corporation applies 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 the date of acquisition to August 31, 2014, and taking into account any changes in the subsequent period from September 1 to September 30 that would materially affect the results. Summarized financial information relating to the Corporation's investment in SPC is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013,
Share of loss and comprehensive loss	\$(42)	\$-	\$(48)	\$-

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

	September 30, 2014	December 31, 2013
Balance as at January 1	\$-	\$-
Acquisition	1,324	-
Gain on dilution of associate	20	-
Share of loss and comprehensive loss	(48)	-
Balance, end of period	\$1,296	\$-

6. OTHER INVESTMENT

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

	September 30, 2014	December 31, 2013
Derivative financial asset at fair value through profit or loss:		
Balance as at January 1	\$-	\$-
Investment in SPC warrants (note 5)	209	-
Change in fair value	(118)	-
Balance, end of period	\$91	\$-

7. SHARE CAPITAL

On July 11, 2014, pursuant to an underwriting agreement dated June 26, 2014, (the “**Agreement**”), the Corporation closed a public offering of 8,340,000 units at a price of \$0.60 per unit for aggregate gross proceeds of \$5,004. On July 17, 2014, pursuant to the Agreement, the underwriters exercised their over-allotment option and purchased an additional 1,251,000 units at a price of \$0.60 per unit for gross proceeds of \$751. In total, the Corporation issued 9,591,000 units (“**Units**”) under the Agreement for gross proceeds of \$5,755 (the “**Offering**”). Each Unit is comprised of one common share of the Corporation and one-half of one common share purchase warrant. Each whole warrant is exercisable at a price of \$0.80 and entitles the holder thereof to acquire one common share of the Corporation on or before July 11, 2016. The fair value of the 4,795,500 warrants issued was estimated at \$623 using the Black-Scholes option pricing formula with the following assumptions: expected dividend yield 0%, share price \$0.53, expected volatility 66%, risk free rate of return 1.1%, and expected maturity of two years.

The cash expenses of the Offering were \$359. The Corporation also agreed to pay the underwriters a cash commission equal to 6% of the Offering value which amounted to \$345. In addition, the Corporation granted to the underwriters non-transferable compensation options to purchase, in the aggregate, 575,460 units (the “**Compensation Warrants**”) which is equal to 6% of the number of Units issued pursuant to the Offering at a price of \$0.60 per unit for a period of 24 months from the date of closing. Each Compensation Warrant is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable at a price of \$0.80 and entitles the holder thereof to acquire one common share of the Corporation on or before July 11, 2016. The fair value of the 575,460 Compensation Warrants was estimated at \$139 using the Binomial option pricing formula with the following assumptions: expected dividend yield 0%, share price \$0.53, expected volatility 66%, risk free rate of return 1.1%, and expected maturity of two years.

8. WARRANTS AND COMPENSATION WARRANTS

The following table reflects the continuity of warrants and compensation warrants for the nine months ended September 30, 2014:

	Number of Warrants	Number of Compensation Warrants	Weighted Average Exercise Price
Balance as at January 1, 2014	240,000	-	\$0.50/-
Expired	(240,000)	-	0.50/-
Granted (note 4)	909,854	-	1.91/-
Granted (note 7)	4,795,500	575,460	0.80/0.60
Balance as at September 30, 2014	5,705,354	575,460	\$0.98/\$0.60

As at September 30, 2014, the remaining contractual life of the outstanding warrants and compensation warrants was 1.6 years and 1.8 years respectively.

9. SHARE INCENTIVE PLAN

Share Purchase Options

During the nine months ended September 30, 2014, 5,529,685 (2013: nil) share purchase options were granted and the weighted average fair value of each share purchase option granted during the period, as estimated at the time of grant, was \$0.28 (2013: nil). This was calculated using the Black-Scholes option pricing model, using the following weighted average assumptions:

	Nine months ended September 30,	
	2014	2013
Share price	\$0.65	-
Exercise price	\$0.73	-
Risk free interest rate	1.2%	-
Expected life	2.9 years	-
Expected forfeiture rate	5%	-
Expected volatility	71%	-
Expected dividends	nil	-

The following table reflects the continuity of share purchase options for the nine months ended September 30, 2014:

	Number of Options	Weighted Average Exercise Price
Balance as at January 1, 2014	4,473,500	\$0.67
Granted	4,599,500	0.64
TNN replacement options granted (note 4)	930,185	1.18
Exercised	(10,000)	0.35
Expired	(7,000)	2.04
Balance as at September 30, 2014	9,986,185	\$0.70

The closing share price on the day prior to the exercise of the 10,000 share purchase options was \$0.71 per share.

As at September 30, 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	8,400,529	4.9	\$0.54	5,772,192	4.9	\$0.56
\$1.00–\$1.99	1,075,656	3.5	\$1.27	1,075,656	3.5	\$1.27
\$2.00–\$2.50	510,000	4.7	\$2.24	510,000	4.7	\$2.24
	9,986,185	4.7	\$0.70	7,357,848	4.7	\$0.78

Deferred Share Units

There was no activity in deferred share units during the nine months ended September 30, 2014. There were 1,346,343 deferred share units outstanding and fully vested as at September 30, 2014.

Restricted Share Units

During the nine months ended September 30, 2014, 1,007,106 (2013: 100,000) 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 235,000 restricted share units were redeemed for 235,000 common shares of the Corporation.

The following table reflects the continuity of restricted share units for the nine months ended September 30, 2014:

	Number of Restricted Share Units
Balance as at January 1, 2014	2,257,551
Redeemed	(1,007,106)
Balance as at September 30, 2014	1,250,445

Included in the 1,250,445 restricted share units outstanding as at September 30, 2014 are 557,143 units that can only be settled for cash.

As at September 30, 2014, the weighted average remaining contractual life of the outstanding restricted share units was 1.2 years and all restricted share units were vested.

Share Appreciation Rights

The following table reflects the continuity of share appreciation rights for the nine months ended September 30, 2014:

	Number of Share Appreciation Rights	Weighted Average Base Price
Balance as at January 1, 2014	1,957,000	\$0.33
Forfeited	(500,000)	0.32
Balance as at September 30, 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 September 30, 2014, was \$0.21 (2013: \$0.14). This was calculated using the Black-Scholes option pricing model, using the following weighted average assumptions:

	Nine months ended September 30,	
	2014	2013
Share price	\$0.44	\$0.33
Base price	\$0.33	\$0.40
Risk free interest rate	1.1%	1.38%
Expected life	1.9 years	2.9 years
Expected forfeiture rate	5%	5%
Expected volatility	70%	75%
Expected dividends	nil	nil

As at September 30, 2014, the weighted average remaining contractual life of the outstanding share appreciation rights was 5.9 years and nil share appreciation rights were vested.



Royal Nickel Corporation

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

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Equity settled share-based payment transactions				
Share purchase options	\$113	\$24	\$988	\$82
Total equity settled share-based payment transactions	113	24	988	82
Cash settled share-based payment transactions				
Deferred share units	-	2	-	5
Restricted share units	-	-	-	2
Share appreciation rights	19	6	69	22
Mark-to-market adjustment for deferred and restricted share units and share appreciation rights	(422)	(187)	425	(270)
Total cash settled share-based payment transactions	(403)	(179)	494	(241)
Accrued share-based payment transactions	32	90	96	271
Total expense arising from share-based payment transactions	\$(258)	\$(65)	\$1,578	\$112

The carrying amounts of the liabilities relating to deferred and restricted share units and share appreciation rights as at September 30, 2014, are \$592, \$550 and \$102 respectively (at December 31, 2013: \$384, \$643, and \$25 respectively).

10. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Expenses by nature				
Salaries, wages and benefits	\$213	\$641	\$1,395	\$1,982
Severance	-	-	196	-
Share-based payments (note 8)	(258)	(65)	1,578	112
Professional fees	47	140	254	462
Consulting fees	181	15	208	40
Public company expenses	7	6	84	104
Office and general	235	270	723	774
Conference and travel	58	138	170	207
Investor relations	264	93	722	269
Business development and fundraising	432	74	747	198
Depreciation and amortization	53	22	86	66
	\$1,232	\$1,334	\$6,163	\$4,214

11. LOSS PER SHARE

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Loss attributable to RNC shareholders	\$(1,591)	(1,433)	\$(6,902)	\$(5,148)
Weighted average number of common shares	108,483,404	94,112,311	99,336,779	93,123,539
Loss per share attributable to RNC shareholders – basic and diluted	\$(0.01)	\$(0.02)	\$(0.07)	\$(0.06)

The effect of potential issuances of shares under stock options, warrants, compensation warrants, deferred share units and restricted share units would be anti-dilutive for the nine months ended September 30, 2014 and 2013, and accordingly, basic and diluted loss per share are the same.

12. 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 September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Management salaries and benefits	\$306	\$448	\$932	\$1,344
Directors fees	79	76	279	265
Share-based payments – Management	125	140	470	422
Share-based payments – Directors	50	5	794	16
Mark-to-market adjustment for cash settled share-based payments	(509)	(220)	553	(318)
	\$51	\$449	\$3,028	\$1,729

13. 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. The obligation consists of costs associated with reclamation, environmental monitoring, and the removal of tangible assets. As at September 30, 2014, the carrying value of the asset retirement obligation represents the net present value of the estimated undiscounted cash flows required to settle the environmental obligations, which total \$500 (2013: nil), using a discount rate of 1.6%. The settlement of this obligation is estimated to occur in 2019.

	September 30, 2014	December 31, 2013
Balance as at January 1	\$-	\$-
Acquisition of TNN	464	-
Accretion	2	-
Balance, end of period	\$466	\$-

14. INCOME TAX

The Corporation incurred a loss for tax purposes for the nine months ended September 30, 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 nine months ended September 30, 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 nine months ended September 30, 2014, is attributable to additional deferred tax liabilities relating to Quebec mining duties.

15. 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 risk exposures 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 investments (note 16). 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 equivalent 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 September 30, 2014, the Corporation had cash and cash equivalents of \$6,052 to settle current financial liabilities of \$1,430. 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 (note 1).

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 September 30, 2014, the Corporation had \$5,527 invested with various Canadian chartered banks bearing interest at variable rates.

Sensitivity to a plus or minus 1% change in the rates would affect the reported annual finance income by approximately \$55.

Fair Value Risk

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

Fair value of the Corporation's derivative investment in SPC warrants was measured as at September 30, 2014 by applying the Black-Scholes option pricing model with the following inputs: share price \$0.21, expected dividend yield 0%, expected volatility 67%, risk free rate of return 1.1%, and an expected maturity of one year. The fair value measurement of the Corporation's derivative investment in SPC warrants is categorized as Level 3 because some of the inputs used in making the measurement are not based on observable market data.

16. COLLATERAL INVESTMENTS

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 June 16, 2014, the agreement with Hydro-Québec was amended to reflect the following revised schedule of letters of credit: (i) \$2,000 on September 10, 2013; (ii) \$2,000 by July 2, 2014; (iii) \$2,000 by October 1, 2014; (iv) \$2,500 by January 5, 2015; (v) \$5,500 by April 1, 2015; (vi) \$6,000 by July 2, 2015; (vii) \$3,500 by October 1, 2015 and (viii) \$2,100 by January 4, 2016. On October 17, 2014, the Corporation and Hydro-Québec agreed to delay the third letter of credit of \$2,000 due on October 1, 2014, to December 1, 2014, and to review the timing of the remaining letters of credit. The delay of the third letter of credit did not trigger a postponement of the work program as described below. 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.

On August 29, 2013, a \$2,000 collateral investment was made, in the form of a one year fixed-rate non-redeemable guaranteed investment certificate bearing interest at the rate of 1.30%, to secure the first outstanding letter of credit. On June 27, 2014, a \$2,000 collateral investment was made, in the form of a one year fixed-rate non-redeemable guaranteed investment certificate bearing interest at the rate of 1.25%, to secure the second outstanding letter of credit.

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.

17. SUBSEQUENT EVENT

On October 9, 2014, TNN issued 3,302,984 common shares for proceeds of \$801. The financing was provided by the Corporation and the non-controlling shareholder in direct proportion to their ownership interest.