

ROYAL NICKEL CORPORATION

CONDENSED INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2012 AND 2011 (Unaudited)



Table of Contents

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



Management's Responsibility for Financial Reporting

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

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

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

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

/s/ Tyler Mitchelson

/s/ Fraser Sinclair

Tyler Mitchelson
President and Chief Executive Officer

Fraser Sinclair
Chief Financial Officer

Toronto, Canada

May 10, 2012



Interim Balance Sheets

(Expressed in thousands of Canadian dollars) (Unaudited)

	March 31,	December 31,		
	2012	2011		
ASSETS				
Current assets				
Cash and cash equivalents	\$ 15,557	\$ 19,741		
Amounts receivable and prepaids	691	855		
Tax credits receivable	8,907	10,450		
	25,155	31,046		
Non-current assets				
Tax credits receivable	835	630		
Deposits and prepaids	238	-		
Property, plant and equipment	978	1,000		
Intangible assets	142	153		
Mineral property interests (note 3)	56,862	53,539		
Total assets	\$ 84,210	\$ 86,368		
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	\$ 2,170	\$ 2,420		
Deferred share units (note 4)	699	699		
Restricted share units (note 4)	792	808		
Current portion of finance lease obligation	38	46		
	3,699	3,973		
Non-current liabilities				
Deferred share units (note 4)	8	1		
Restricted share units (note 4)	3	2		
Finance lease obligation	14	20		
Deferred income tax liability	5,948	5,631		
Total liabilities	9,672	9,627		
EQUITY				
Share capital	95,435	95,045		
Contributed surplus	23,179	23,266		
Deficit	(44,076)	(41,570)		
Total equity	74,538	76,741		
Total liabilities and equity	\$ 84,210	\$ 86,368		



Interim Statements of Comprehensive Loss

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

Three months ended March 31,

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	2012		2011		
Expenses					
General and administrative (note 6)	\$	2,266	\$	1,463	
Operating loss		(2,266)		(1,463)	
Finance income		77		142	
Loss before income tax		(2,189)		(1,321)	
Deferred income tax expense (note 9)		317		408	
Loss and comprehensive loss for the period	\$	(2,506)	\$	(1,729)	
Loss per share					
Basic and diluted (note 7)	\$	(0.03)	\$	(0.02)	



Interim Statements of Cash Flows

(Expressed in thousands of Canadian dollars) (Unaudited)

Three months ended March 31,

	2012	1110111113 CI		11
	2012		20	111
Cash flow provided by (used in)				
OPERATING ACTIVITIES				
Loss	\$	(2,506)	\$	(1,729)
Items not involving cash				
Depreciation and amortization		29		28
Deferred income tax expense		317		408
Share based payments (note 4)		133		(107)
		(2,027)		(1,400)
Changes in working capital		(=/==-/		(=, :==,
Amounts receivable, prepaids and deposits		(74)		(420)
Tax credit receivable		50		(120)
Accounts payable and accrued liabilities		(91)		(825)
Accounts payable and accided habilities				· · · · · · · · ·
		(2,142)		(2,645)
INVESTING ACTIVITIES				
Expenditures on mineral property interests		(4,862)		(5,942)
Net tax credits and mining rights received		2,616		333
Acquisition of intangible assets		-		(13)
Acquisition of property, plant and equipment		(9)		(45)
		(2,255)		(5,667)
FINANCING ACTIVITIES				
Issuance of shares, net of issue costs		_		5,947
Exercise of options and warrants for cash		227		508
Principal payments on finance leases		(14)		(8)
Timelpar payments on mance leases		213		6,447
Channelly such and such ambulants				
Change in cash and cash equivalents		(4,184)		(1,865)
Cash and cash equivalents, beginning of period		19,741		47,482
Cash and cash equivalents, end of period	\$	15,557	\$	45,617
Components of cash and cash equivalents are as follows:				
Cash	\$	436	\$	271
Cash equivalents		15,121		45,346
	\$	15,557	\$	45,617
SUPPLEMENTAL INFORMATION				
Interest paid	\$	2	\$	1
Share based payments in mineral property interests	,	55	<u> </u>	100
Depreciation of property, plant and equipment in mineral property		33		100
interests		13		11
Mining property interest included in accounts payable and accrued		13		11
		1 404		2 077
liabilities		1,494		2,977



Interim Statements of Changes in Equity

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

	Share (Capit	tal	Con	tributed			
	Number	А	mount	S	urplus	Deficit	Tota	al Equity
Balance as at January 1, 2012	88,876,618	\$	95,045	\$	23,266	\$ (41,570)	\$	76,741
Exercise of warrants	650,000		227		-	-		227
Fair value of warrants exercised	-		161		(161)	-		-
Shares issued for redemption of restricted								
share units	3,000		2		-	-		2
Share based payments	-		-		74	-		74
Loss and comprehensive loss for the period	-		-		-	(2,506)		(2,506)
Balance as at March 31, 2012	89,529,618	\$	95,435	\$	23,179	\$ (44,076)	\$	74,538
Balance as at January 1, 2011	84,231,203	\$	88,600	\$	22,029	\$ (33,819)	\$	76,810
Shares issued for exercise of over-allotment								
option	2,925,000		6,581		-	-		6,581
Share issue costs of over-allotment option,								
net of deferred income taxes of \$163	-		(391)		(81)	-		(472)
Warrant valuation of over-allotment option	-		(812)		812	-		-
Broker warrant valuation of over-allotment								
option	-		(121)		121	-		-
Exercise of stock options	600,000		210		-	-		210
Fair value of stock options exercised	-		164		(164)	-		-
Exercise of warrants	850,000		298		-	-		298
Fair value of warrants exercised	-		129		(129)	-		-
Share based payments	-		-		279	-		279
Loss and comprehensive loss for the period	-		_		_	(1,729)		(1,729)
Balance as at March 31, 2011	88,606,203	\$	94,658	\$	22,867	\$ (35,548)	\$	81,977



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, 2012, the Corporation had working capital of \$21,456, including cash and cash equivalents of \$15,557, an accumulated deficit of \$44,076 and incurred a loss of \$2,506 for the three months then ended.

Management of the Corporation believes that it has sufficient funds to pay its ongoing general and administrative expenses, to pursue its exploration and evaluation expenditures and to meet its liabilities, obligations and existing commitments for the ensuing twelve months as they fall due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Corporation's ability to continue future operations beyond March 31, 2013 and fund its exploration and evaluation expenditures is dependent on management's ability to secure additional financing in the future, which may be completed in a number of ways including but not limited to, the issuance of new debt or equity instruments. Management will pursue such additional sources of financing when required, and while management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Corporation or that they will be available on terms which are acceptable to the Corporation.

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



2. BASIS OF PREPARATION

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

3. MINERAL PROPERTY INTERESTS

Exploration and evaluation expenses	Dumont	Jefmar	Marbridge	Total
Balance as at January 1, 2012	\$ 51,969	\$ 475	\$ 1,095	\$ 53,539
Property acquisition costs	-	-	-	-
Depreciation	13	-	-	13
Drilling	2,110	-	-	2,110
Engineering	367	-	-	367
Environmental	644	-	-	644
Geological	405	-	-	405
Site activities and metallurgical testing	1,057	-	-	1,057
Share based payments	55	-	-	55
Quebec refundable tax credits	(1,328)	-	-	(1,328)
Balance as at March 31, 2012	\$ 55,292	\$ 475	\$ 1,095	\$ 56,862

4. SHARE INCENTIVE PLAN

Share Purchase Options

During the three month period ended March 31, 2012, 120,000 options were granted (2011: 100,000) and the weighted average fair value of share purchase options granted during the period, as estimated at the time of grant, was \$0.44 per share purchase option (2011: \$1.38) of which 33.33% will vest at the first anniversary, 33.33% at the second anniversary and 33.33% at the third anniversary. This was calculated using the Black-Scholes option pricing model, using the following weighted average assumptions:

Three months ended March 31,

	2012	2011
Share price	\$0.67	\$1.97
Exercise price	\$0.67	\$1.97
Risk free interest rate	1.5%	2.7%
Expected life	6 years	6 years
Expected forfeiture rate	5%	3%
Expected volatility	75%	80%
Expected dividends	0%	0%



The following table reflects the continuity of share purchase options for the three months ended March 31, 2012:

	Number of Options	Weighted Average Exercise Price
Balance as at January 1, 2012	7,241,583	\$ 1.73
Granted	120,000	0.67
Balance as at March 31, 2012	7,361,583	\$ 1.71

As at March 31, 2012, the Corporation had the following share purchase options outstanding:

Options Granted	Exercise Price (\$)	Options Vested and Exercisable	Remaining Contractual Life (Years)	Evoiru Data
Options Granted	Exercise Price (\$)	Exercisable	Life (Tears)	Expiry Date
99,999	2.50	99,999	0.02	April 6, 2012
8,334	2.00	8,334	0.02	April 6, 2012
700,000	0.35	700,000	4.92	March 2, 2017
150,000	0.35	150,000	4.94	March 8, 2017
250,000	0.35	250,000	4.97	March 22, 2017
25,000	0.35	25,000	4.99	March 26, 2017
150,000	0.35	150,000	5.03	April 10, 2017
50,000	1.00	50,000	5.27	July 9, 2017
300,000	1.00	300,000	5.37	August 15, 2017
25,000	1.00	25,000	5.41	August 27, 2017
825,000	2.50	825,000	5.71	December 14, 2017
525,000	2.50	525,000	6.24	June 27, 2018
250,000	2.50	250,000	6.30	July 17, 2018
250,000	2.50	250,000	6.63	November 17, 2018
820,000	2.50	820,000	6.79	January 15, 2019
850,000	2.00	850,000	7.46	September 17, 2019
610,250	2.00	610,250	7.52	October 9, 2019
25,000	2.00	25,000	7.69	December 11, 2019
15,000	2.00	15,000	7.83	January 28, 2020
150,000	2.00	150,000	8.02	April 6, 2020
100,000	2.00	66,667	8.05	April 19, 2020
75,000	2.00	50,000	8.17	June 1, 2020
150,000	2.00	100,000	8.36	August 9, 2020
180,000	2.00	120,000	8.55	October 18, 2020
18,000	2.15	12,000	8.70	December 10, 2020
60,000	1.14	20,000	9.20	June 14, 2021
580,000	0.56	193,333	9.71	December 16, 2021
120,000	0.67	-	9.86	February 7, 2022
7,361,583	1.71	6,640,583	6.70	

The weighted average exercise price of options vested and exercisable is \$1.79.

Deferred Share Units

During the three month period ended March 31, 2012, 52,083 deferred share units were granted (2011: Nil), all of which vested immediately. The expected forfeiture rate for the period was 0% (2011: 0%).



The following table reflects the continuity of deferred share units for the three months ended March 31, 2012:

	Number of	
	Deferred Share Units	
Balance as at January 1, 2012	1,385,554	
Granted	52,083	
Balance as at March 31, 2012	1,437,637	

As at March 31, 2012, 1,046,466 deferred share units are vested.

Restricted Share Units

During the three month period ended March 31, 2012, 3,000 restricted share units were redeemed (2011: Nil) for 3,000 shares of the Corporation.

The following table reflects the continuity of restricted share units for the three months ended March 31, 2012:

	Number of
	Restricted Share Units
Balance as at January 1, 2012	1,510,239
Redeemed	(3,000)
Balance as at March 31, 2012	1,507,239

As at March 31, 2012, 1,263,236 restricted share units are vested.

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

	Three months ended March 31,			
	2012		201	1
Equity settled share-based payment transactions				
Share purchase options	\$	38	\$	178
Total equity settled share-based payment transactions		38		178
Cash settled share-based payment transactions				
Deferred share units		29		199
Restricted share units		13		187
Mark-to-market adjustment for deferred and restricted share units		(45)		(671)
Total cash settled share-based payment transactions		(3)		(285)
Accrued share-based payment transactions		98		-
Total expense (recovery) arising from share-based				
payment transactions	\$	133	\$	(107)

The carrying amounts of the liabilities relating to deferred and restricted share units at March 31, 2012, are \$707 and \$795 respectively (at December 31, 2011: \$700 and \$810 respectively).



5. WARRANTS AND COMPENSATION WARRANTS

The following table reflects the continuity of warrants for the three months ended March 31, 2012:

	Weighted Average		
	Number of Warrants	Exercise Price	
Balance as at January 1, 2012	15,282,027	\$	2.53
Exercised	(650,000)		0.35
Balance as at March 31, 2012	14,632,027	\$	2.62

As at March 31, 2012, the following warrants and compensation warrants were outstanding:

			Remaining	
Compensation			Contractual	
Warrants	Warrants	Exercise Price (\$)	Life (Years)	Expiry Date
-	1,345,500 ¹	2.25	0.21	June 15, 2012
-	177,777	3.00	0.21	June 16, 2012
35,555	-	2.25	0.21	June 16, 2012
-	500,000	1.00	0.27	July 9, 2012
-	1,300,000	0.35	0.30	July 19, 2012
-	26,250	3.00	0.39	August 20, 2012
-	70,000	2.50	0.71	December 14, 2012
_	11,212,500	3.00	0.71	December 15, 2012
35,555	14,632,027	2.62	0.61	

¹ Broker warrants issued pursuant to the initial public offering underwriting agreement and the over-allotment option

6. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended March 31,		
	2012	2011	
Expense by nature			
Salaries, wages and benefits	\$ 807	\$ 693	
Share based payments (note 4)	133	(107)	
Professional fees	212	155	
Consulting fees	362	114	
Public company expenses	62	71	
Office and general	319	261	
Conference and travel	96	51	
Investor relations	139	147	
Business development	107	50	
Depreciation and amortization	29	28	
	\$ 2,266	\$ 1,463	



7. LOSS PER SHARE

	Three months ended March 31,		
	2012	2011	
Loss available to common			
shareholders	\$ (2,506)	\$ (1,729)	
Weighted average number of common shares	89,434,865	87,531,751	
Loss per share – basic and diluted	\$ (0.03)	\$ (0.02)	

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 three months ended March 31, 2012 and 2011, and accordingly, basic and diluted loss per share are the same.

8. RELATED PARTY TRANSACTIONS

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

 Three months ended March 31,

 2012
 2011

 Management salaries and benefits
 \$ 542
 \$ 473

Directors fees 91 136 Share-based payments – Management 65 391 Share-based payments – Directors 20 132 Mark-to-market adjustment for cash settled share-based payments (52)(660)\$ 666 472 Administrative and general expenses Consulting fees paid to a director and officer \$ 11 44

9. INCOME TAX

The Corporation incurred a loss for tax purposes for the three month period ended March 31, 2012, for which no tax benefit was recorded. In addition, the Corporation recorded a refundable tax credit for mining exploration expenses and a Quebec mining duties credit on the eligible exploration expenditures incurred in the three month period ended March 31, 2012. These credits were recorded as a reduction to mineral property interests.

The deferred tax expense for the three month period ended March 31, 2012, is attributable to additional deferred tax liabilities relating to Quebec mining duties.