



**ROYAL NICKEL CORPORATION**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Three and Six Months Ended June 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

August 8, 2014

## Consolidated Interim Balance Sheets

(Expressed in thousands of Canadian dollars)  
(Unaudited)

|                                             | June 30, 2014   | December 31, 2013 |
|---------------------------------------------|-----------------|-------------------|
| <b>ASSETS</b>                               |                 |                   |
| <b>Current assets</b>                       |                 |                   |
| Cash and cash equivalents                   | \$5,505         | \$11,908          |
| Amounts receivable and prepaids             | 729             | 385               |
| Tax credits receivable (note 13)            | 591             | 3,329             |
|                                             | 6,825           | 15,622            |
| <b>Non-current assets</b>                   |                 |                   |
| Collateral investments (note 15)            | 4,000           | 2,000             |
| Investment in associate (note 5)            | 1,318           | -                 |
| Other investment (note 6)                   | 171             | -                 |
| Tax credits receivable (note 13)            | 118             | 192               |
| Deposits and prepaids                       | 198             | 174               |
| Property, plant and equipment               | 1,609           | 943               |
| Intangible assets                           | 86              | 101               |
| Mineral property interests (note 3)         | 66,160          | 55,805            |
| <b>Total assets</b>                         | <b>\$80,485</b> | <b>\$74,837</b>   |
| <b>LIABILITIES AND EQUITY</b>               |                 |                   |
| <b>Current liabilities</b>                  |                 |                   |
| Accounts payable and accrued liabilities    | \$2,555         | \$1,078           |
| Deferred share units (note 8)               | 848             | 384               |
| Restricted share units (note 8)             | 788             | 643               |
| Current portion of finance lease obligation | 59              | 23                |
|                                             | 4,250           | 2,128             |
| <b>Non-current liabilities</b>              |                 |                   |
| Share appreciation rights (note 8)          | 142             | 25                |
| Finance lease obligation                    | -               | 47                |
| Asset retirement obligation (note 12)       | 464             | -                 |
| Deferred income tax liability (note 13)     | 10,457          | 10,019            |
| <b>Total liabilities</b>                    | <b>15,313</b>   | <b>12,219</b>     |
| <b>EQUITY</b>                               |                 |                   |
| Share capital                               | 101,926         | 98,164            |
| Contributed surplus                         | 23,153          | 21,926            |
| Deficit                                     | (62,783)        | (57,472)          |
| Equity attributable to RNC shareholders     | 62,296          | 62,618            |
| Non-controlling interests (note 4)          | 2,876           | -                 |
| <b>Total equity</b>                         | <b>65,172</b>   | <b>62,618</b>     |
| <b>Total liabilities and equity</b>         | <b>\$80,485</b> | <b>\$74,837</b>   |

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



Royal Nickel Corporation

# Consolidated Interim Statements of Comprehensive Loss

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

|                                                              | Three months ended June 30, |           | Six months ended June 30, |           |
|--------------------------------------------------------------|-----------------------------|-----------|---------------------------|-----------|
|                                                              | 2014                        | 2013      | 2014                      | 2013      |
| <b>Expenses</b>                                              |                             |           |                           |           |
| General and administrative (note 9)                          | \$2,712                     | \$1,484   | \$4,931                   | \$2,880   |
| <b>Operating loss</b>                                        | (2,712)                     | (1,484)   | (4,931)                   | (2,880)   |
| Share of loss of associate (note 5)                          | (6)                         | -         | (6)                       | -         |
| Unrealized loss on derivative financial instruments (note 6) | (38)                        | -         | (38)                      | -         |
| Finance income                                               | 40                          | 48        | 102                       | 72        |
| <b>Loss before income tax</b>                                | (2,716)                     | (1,436)   | (4,873)                   | (2,808)   |
| Deferred income tax expense (note 13)                        | 290                         | 496       | 438                       | 907       |
| <b>Loss and comprehensive loss for the period</b>            | \$(3,006)                   | \$(1,932) | \$(5,311)                 | \$(3,715) |
| <b>Attributable to:</b>                                      |                             |           |                           |           |
| RNC shareholders                                             | \$(3,006)                   | \$(1,932) | \$(5,311)                 | \$(3,715) |
| Non-controlling interests                                    | -                           | -         | -                         | -         |
| <b>Loss per share attributable to RNC shareholders</b>       |                             |           |                           |           |
| Basic and diluted (note 10)                                  | \$(0.03)                    | \$(0.02)  | \$(0.06)                  | \$(0.04)  |

*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)

| Cash flow provided by (used in)                                                | Three months ended June 30, |                  | Six months ended June 30, |                  |
|--------------------------------------------------------------------------------|-----------------------------|------------------|---------------------------|------------------|
|                                                                                | 2014                        | 2013             | 2014                      | 2013             |
| <b>OPERATING ACTIVITIES</b>                                                    |                             |                  |                           |                  |
| <b>Loss for the period</b>                                                     | <b>\$(3,006)</b>            | <b>\$(1,932)</b> | <b>\$(5,311)</b>          | <b>\$(3,715)</b> |
| Items not involving cash                                                       |                             |                  |                           |                  |
| Depreciation and amortization                                                  | 17                          | 22               | 33                        | 44               |
| Deferred income tax expense                                                    | 290                         | 496              | 438                       | 907              |
| Share of loss of associate                                                     | 6                           | -                | 6                         | -                |
| Unrealized loss on derivative financial instruments                            | 38                          | -                | 38                        | -                |
| Share-based payments (note 8)                                                  | 1,270                       | 174              | 1,836                     | 177              |
|                                                                                | <b>(1,385)</b>              | <b>(1,240)</b>   | <b>(2,960)</b>            | <b>(2,587)</b>   |
| Changes in non-cash working capital                                            |                             |                  |                           |                  |
| Redemption of restricted share units for cash                                  | -                           | -                | (309)                     | -                |
| Amounts receivable, prepaids and deposits                                      | (66)                        | 101              | (18)                      | (88)             |
| Tax credit receivable                                                          | -                           | 2                | -                         | 39               |
| Accounts payable and accrued liabilities                                       | 198                         | (40)             | 242                       | (20)             |
|                                                                                | <b>(1,253)</b>              | <b>(1,177)</b>   | <b>(3,045)</b>            | <b>(2,656)</b>   |
| <b>INVESTING ACTIVITIES</b>                                                    |                             |                  |                           |                  |
| Expenditures on mineral property interests                                     | (1,148)                     | (4,723)          | (2,721)                   | (8,401)          |
| Collateral investment (note 15)                                                | (2,000)                     | -                | (2,000)                   | -                |
| Net tax credits and mining duties received                                     | 1,728                       | 3,884            | 2,915                     | 3,884            |
| Investment in associate (note 5)                                               | (1,533)                     | -                | (1,533)                   | -                |
| Proceeds on disposal of property, plant and equipment                          | -                           | -                | -                         | 18               |
| Sale of NSR, net of transaction costs                                          | -                           | 14,542           | -                         | 14,542           |
| Acquisition of property, plant and equipment ("PP&E")                          | -                           | -                | (11)                      | (9)              |
|                                                                                | <b>(2,953)</b>              | <b>13,703</b>    | <b>(3,350)</b>            | <b>10,034</b>    |
| <b>FINANCING ACTIVITIES</b>                                                    |                             |                  |                           |                  |
| Issuance of shares, net of issue costs                                         | -                           | (2)              | -                         | 1,806            |
| Exercise of options and warrants for cash                                      | 3                           | -                | 3                         | -                |
| Principal payments on finance leases                                           | (6)                         | (11)             | (11)                      | (22)             |
|                                                                                | <b>(3)</b>                  | <b>(13)</b>      | <b>(8)</b>                | <b>1,784</b>     |
| <b>Change in cash and cash equivalents</b>                                     | <b>(4,209)</b>              | <b>12,513</b>    | <b>(6,403)</b>            | <b>9,162</b>     |
| <b>Cash and cash equivalents, beginning of period</b>                          | <b>9,714</b>                | <b>7,409</b>     | <b>11,908</b>             | <b>10,760</b>    |
| <b>Cash and cash equivalents, end of period</b>                                | <b>\$5,505</b>              | <b>\$19,922</b>  | <b>\$5,505</b>            | <b>\$19,922</b>  |
| Components of cash and cash equivalents:                                       |                             |                  |                           |                  |
| Cash                                                                           | \$300                       | 4,318            | \$300                     | \$4,318          |
| Cash equivalents                                                               | 5,205                       | 15,604           | 5,205                     | 15,604           |
|                                                                                | <b>\$5,505</b>              | <b>\$19,922</b>  | <b>\$5,505</b>            | <b>\$19,922</b>  |
| <b>SUPPLEMENTAL INFORMATION</b>                                                |                             |                  |                           |                  |
| Interest paid                                                                  | \$-                         | \$30             | \$33                      | \$33             |
| Share-based payments in mineral property interests                             | 277                         | 47               | 429                       | 58               |
| Depreciation of PP&E in mineral property interests                             | 14                          | 16               | 27                        | 33               |
| PP&E recorded pursuant to a finance lease                                      | -                           | -                | -                         | 91               |
| Accrued transaction costs related to the acquisition of TNN (note 4)           | 125                         | -                | 125                       | -                |
| Mineral property interest included in accounts payable and accrued liabilities | 819                         | 1,199            | 819                       | 1,199            |

*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           |                     |                   |                                         |                          |                 |
| <b>Balance as at January 1, 2014</b>                                                                                           | <b>94,212,311</b>  | <b>\$98,164</b>  | <b>\$21,926</b>     | <b>\$(57,472)</b> | <b>\$62,618</b>                         | <b>\$-</b>               | <b>\$62,618</b> |
| 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                                                                                                           | -                  | -                | 1,042               | -                 | 1,042                                   | -                        | 1,042           |
| Loss and comprehensive loss for the period                                                                                     | -                  | -                | -                   | (5,311)           | (5,311)                                 | -                        | (5,311)         |
| <b>Balance as at June 30, 2014</b>                                                                                             | <b>100,052,007</b> | <b>\$101,926</b> | <b>\$23,153</b>     | <b>\$(62,783)</b> | <b>\$62,296</b>                         | <b>\$2,876</b>           | <b>\$65,172</b> |
| 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                                                                                                  | -                  | (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                                                                                                           | -                  | -                | 84                  | -                 | -                                       | -                        | 84              |
| Loss and comprehensive loss for the period                                                                                     | -                  | -                | -                   | (3,715)           | -                                       | -                        | (3,715)         |
| <b>Balance as at June 30, 2013</b>                                                                                             | <b>94,112,311</b>  | <b>\$98,137</b>  | <b>\$21,778</b>     | <b>\$(54,447)</b> | <b>\$-</b>                              | <b>\$-</b>               | <b>\$65,468</b> |

*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 LIQUIDITY

---

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 six months ended June 30, 2014 are comprised of the Corporation, its subsidiary True North Nickel Inc. ("**TNN**"), and the Corporation's interest in the 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.

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 June 30, 2014, the Corporation had working capital of \$2,575, had an accumulated deficit of \$62,783 and incurred a loss of \$3,006 for the three months then ended. Working capital included a current tax credits receivable of \$591 and cash and cash equivalents of \$5,505.

Management believes that the Corporation will have 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, including the public offering that closed subsequent to June 30, 2014 for gross proceeds of \$5,755 (note 16). 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.

## 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 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 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 August 8, 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 True North Nickel Inc.

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 Sudbury Platinum Corporation 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 interim 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           |
|-----------------------------------------|-----------------|--------------|----------------|----------------|-----------------|
| <b>Balance as at January 1, 2014</b>    | <b>\$54,384</b> | <b>\$294</b> | <b>\$1,127</b> | -              | <b>\$55,805</b> |
| Acquisition of TNN (note 4)             | -               | -            | -              | \$7,003        | \$7,003         |
| Property acquisition and maintenance    | 89              | -            | -              | -              | 89              |
| Depreciation                            | 27              | -            | -              | -              | 27              |
| Engineering and technical support       | 746             | -            | -              | -              | 746             |
| Exploration                             | 664             | -            | 40             | -              | 704             |
| Environmental, community and permitting | 1,287           | -            | -              | -              | 1,287           |
| Share-based payments                    | 429             | -            | -              | -              | 429             |
| Quebec refundable tax credits           | 70              | -            | -              | -              | 70              |
| <b>Balance as at June 30, 2014</b>      | <b>\$57,696</b> | <b>\$294</b> | <b>\$1,167</b> | <b>\$7,003</b> | <b>\$66,160</b> |

### 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 \$3,966 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 \$125. 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 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 assumptions: expected dividend yield 0%, expected volatility 73%, risk free rate of return 1.1%, and an expected maturity of 1.0 year. The Corporation has accrued \$125 of transaction costs.

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 \$3,966 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             |
| Accrued transaction costs                           | 125            |
| <b>Purchase consideration</b>                       | <b>\$3,966</b> |

The purchase consideration has been allocated as follows:

|                                                                     |                |
|---------------------------------------------------------------------|----------------|
| Current assets net of current liabilities, excluding cash of \$nil  | \$(397)        |
| Mineral property interests, including exploration supplies of \$128 | 7,003          |
| Property, plant, and equipment                                      | 700            |
| Non-current liabilities                                             | (464)          |
| <b>Non-controlling interests (44.1%)</b>                            | <b>(2,876)</b> |
| <b>Net identifiable assets</b>                                      | <b>\$3,966</b> |

## 5. INVESTMENTS IN ASSOCIATE

On April 14, 2014, the Corporation acquired a 24.9% interest in 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 nickel-copper-platinum group metals project, 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 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. Provided the Corporation holds at least a 10% equity position in SPC, RNC has a pre-emptive right to maintain its pro-rata share position on all subsequent equity financings until October 14, 2015. The Corporation incurred \$38 of transaction costs.

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 was estimated at \$209 using the Black-Scholes option pricing model



Royal Nickel Corporation

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. The transaction costs of \$38 were allocated to the warrants and the common shares on a pro-rata basis, based on relative fair values, of \$33 and \$5 respectively.

The Corporation 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 May 31, 2014 and taking into account any changes in the subsequent period from June 1 to June 30 that would materially affect the results. Summarized financial information of SPC is as follows:

|                                      | June 30, 2014 | December 31, 2013, |
|--------------------------------------|---------------|--------------------|
| Ownership                            | 24.9%         | -                  |
| Carrying amount                      | \$1,318       | -                  |
| Share of loss and comprehensive loss | (6)           | -                  |

## 6. OTHER INVESTMENT

|                                                                  | June 30, 2014 | December 31, 2013, |
|------------------------------------------------------------------|---------------|--------------------|
| Derivative financial asset at fair value through profit or loss: |               |                    |
| Balance, beginning of year                                       | \$-           | \$-                |
| Investment in SPC warrants (Note 5)                              | 209           | -                  |
| Change in fair value                                             | (38)          | -                  |
| <b>Balance, end of period</b>                                    | <b>\$171</b>  | <b>\$-</b>         |

## 7. WARRANTS

The following table reflects the continuity of warrants for the six months ended June 30, 2014:

|                                    | Number of 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                            |
| <b>Balance as at June 30, 2014</b> | <b>909,854</b>     | <b>\$1.91</b>                   |

As at June 30, 2014, the remaining contractual life of the outstanding warrants was 1.0 year.

## 8. SHARE INCENTIVE PLAN

### Share Purchase Options

During the six months ended June 30, 2014, 5,329,685 (2013: nil) share options were granted and the weighted average fair value of each share purchase option granted during the period, as estimated at the time of grant, was \$0.28 (2013: \$nil). This was calculated using the Black–Scholes option pricing model, using the following weighted average assumptions:

|                          | Six months ended June 30, |      |
|--------------------------|---------------------------|------|
|                          | 2014                      | 2013 |
| Share price              | <b>\$0.65</b>             | -    |
| Exercise price           | <b>\$0.74</b>             | -    |
| Risk free interest rate  | <b>1.5%</b>               | -    |
| Expected life            | <b>2.9 years</b>          | -    |
| Expected forfeiture rate | <b>5%</b>                 | -    |
| Expected volatility      | <b>71%</b>                | -    |
| Expected dividends       | <b>nil</b>                | -    |

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

|                                          | Number of Options | Weighted Average Exercise Price |
|------------------------------------------|-------------------|---------------------------------|
| Balance as at January 1, 2014            | 4,473,500         | \$0.67                          |
| Granted                                  | 4,399,500         | 0.65                            |
| TNN replacement options granted (note 4) | 930,185           | 1.18                            |
| Exercised                                | (10,000)          | 0.35                            |
| Expired                                  | (7,000)           | 2.04                            |
| <b>Balance as at June 30, 2014</b>       | <b>9,786,185</b>  | <b>\$0.71</b>                   |

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 June 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        | 8,200,529         | 5.2                                                 | \$0.54                          | 5,572,192           | 5.2                                                 | \$0.56                          |
| \$1.00–\$1.99        | 1,075,656         | 3.7                                                 | \$1.27                          | 1,075,656           | 3.7                                                 | \$1.27                          |
| \$2.00–\$2.50        | 510,000           | 5.0                                                 | \$2.24                          | 510,000             | 5.0                                                 | \$2.24                          |
|                      | <b>9,786,185</b>  | <b>5.0</b>                                          | <b>\$0.71</b>                   | <b>7,157,848</b>    | <b>5.0</b>                                          | <b>\$0.79</b>                   |

### Deferred Share Units

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

### Restricted Share Units

During the six months ended June 30, 2014, 1,007,106 (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 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 six months ended June 30, 2014:

|                                    | Number of<br>Restricted Share Units |
|------------------------------------|-------------------------------------|
| Balance as at January 1, 2014      | 2,257,551                           |
| Redeemed                           | (1,007,106)                         |
| <b>Balance as at June 30, 2014</b> | <b>1,250,445</b>                    |

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

As at June 30, 2014, the weighted average remaining contractual life of the outstanding restricted share units was 1.5 years and all restricted share units were vested.

### Share Appreciation Rights

There was no activity in share appreciation rights during the six months ended June 30, 2014. As at the end of reporting period, there were 1,457,000 share appreciation rights outstanding, none of which were vested, with a weighted average base price of \$0.33 and a remaining contractual life of 6.2 years.

The weighted average fair value of each share appreciation right outstanding at the end of the period, as estimated as at June 30, 2014, was \$0.38 (2013: \$0.19). This was calculated using the Black-Scholes option pricing model, using the following assumptions:

|                          | Six months ended June 30, |           |
|--------------------------|---------------------------|-----------|
|                          | 2014                      | 2013      |
| Share price              | \$0.63                    | \$0.39    |
| Base price               | \$0.33                    | \$0.40    |
| Risk free interest rate  | 1.1%                      | 1.4%      |
| Expected life            | 2.2 years                 | 3.2 years |
| Expected forfeiture rate | 5%                        | 5%        |
| Expected volatility      | 70%                       | 75%       |
| Expected dividends       | nil                       | nil       |



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 June 30, |              | Six months ended June 30, |              |
|-------------------------------------------------------------------------------------------------|-----------------------------|--------------|---------------------------|--------------|
|                                                                                                 | 2014                        | 2013         | 2014                      | 2013         |
| <b>Equity settled share-based payment transactions</b>                                          |                             |              |                           |              |
| Share purchase options                                                                          | \$851                       | \$28         | \$875                     | \$58         |
| Total equity settled share-based payment transactions                                           | 851                         | 28           | 875                       | 58           |
| <b>Cash settled share-based payment transactions</b>                                            |                             |              |                           |              |
| Deferred share units                                                                            | -                           | 3            | -                         | 3            |
| Restricted share units                                                                          | -                           | 1            | -                         | 2            |
| Share appreciation rights                                                                       | 35                          | 8            | 50                        | 16           |
| Mark-to-market adjustment for deferred and restricted share units and share appreciation rights | 352                         | 28           | 847                       | (83)         |
| Total cash settled share-based payment transactions                                             | 387                         | 40           | 897                       | (62)         |
| <b>Accrued share-based payment transactions</b>                                                 | 32                          | 106          | 64                        | 181          |
| <b>Total expense arising from share-based payment transactions</b>                              | <b>\$1,270</b>              | <b>\$174</b> | <b>\$1,836</b>            | <b>\$177</b> |

The carrying amounts of the liabilities relating to deferred and restricted share units and share appreciation rights as at June 30, 2014, are \$848, \$788 and \$142 respectively (at December 31, 2013: \$384, \$643, and \$25 respectively).

## 9. GENERAL AND ADMINISTRATIVE EXPENSES

|                               | Three months ended June 30, |                | Six months ended June 30, |                |
|-------------------------------|-----------------------------|----------------|---------------------------|----------------|
|                               | 2014                        | 2013           | 2014                      | 2013           |
| <b>Expense by nature</b>      |                             |                |                           |                |
| Salaries, wages and benefits  | \$542                       | \$669          | \$1,182                   | \$1,341        |
| Severance                     | -                           | -              | 196                       | -              |
| Share-based payments (note 8) | 1,270                       | 174            | 1,836                     | 177            |
| Professional fees             | 158                         | 131            | 207                       | 322            |
| Consulting fees               | 19                          | 14             | 27                        | 25             |
| Public company expenses       | 31                          | 50             | 77                        | 98             |
| Office and general            | 230                         | 226            | 488                       | 504            |
| Conference and travel         | 50                          | 30             | 112                       | 69             |
| Investor relations            | 270                         | 112            | 458                       | 176            |
| Business development          | 125                         | 56             | 315                       | 124            |
| Depreciation and amortization | 17                          | 22             | 33                        | 44             |
|                               | <b>\$2,712</b>              | <b>\$1,484</b> | <b>\$4,931</b>            | <b>\$2,880</b> |

## 10. LOSS PER SHARE

|                                                                     | Three months ended June 30, |            | Six months ended June 30, |            |
|---------------------------------------------------------------------|-----------------------------|------------|---------------------------|------------|
|                                                                     | 2014                        | 2013       | 2014                      | 2013       |
| Loss attributable to RNC shareholders                               | <b>\$(3,006)</b>            | (1,932)    | <b>\$(5,311)</b>          | \$(3,715)  |
| Weighted average number of common shares                            | <b>95,221,144</b>           | 94,112,311 | <b>94,739,467</b>         | 92,612,540 |
| Loss per share attributable to RNC shareholders – basic and diluted | <b>\$(0.03)</b>             | \$(0.02)   | <b>\$(0.06)</b>           | \$(0.04)   |

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

## 11. 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:

| <b>Remuneration of key management</b>                           | Three months ended June 30, |       | Six months ended June 30, |         |
|-----------------------------------------------------------------|-----------------------------|-------|---------------------------|---------|
|                                                                 | 2014                        | 2013  | 2014                      | 2013    |
| Management salaries and benefits                                | <b>\$332</b>                | \$505 | <b>\$626</b>              | \$896   |
| Directors fees                                                  | <b>102</b>                  | 91    | <b>200</b>                | 189     |
| Share-based payments – Management                               | <b>275</b>                  | 160   | <b>345</b>                | 282     |
| Share-based payments – Directors                                | <b>726</b>                  | 7     | <b>744</b>                | 11      |
| Mark-to-market adjustment for cash settled share-based payments | <b>450</b>                  | 33    | <b>1,062</b>              | (98)    |
|                                                                 | <b>\$1,885</b>              | \$796 | <b>\$2,977</b>            | \$1,280 |

## 12. 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 June 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.

|                               | June 30, 2014 | December 31, 2013, |
|-------------------------------|---------------|--------------------|
| Balance, beginning of year    | <b>\$-</b>    | \$-                |
| Acquisition of TNN            | <b>464</b>    | -                  |
| <b>Balance, end of period</b> | <b>\$464</b>  | \$-                |

### 13. INCOME TAX

---

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

### 14. 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 and cash and cash equivalents. 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 June 30, 2014, the Corporation had cash and cash equivalents of \$5,505 to settle current financial liabilities of \$2,157. 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 June 30, 2014, the Corporation had \$5,205 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 net income by approximately \$52.

### ***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 June 30, 2014 by applying the Black-Scholes option pricing model with the following inputs: share price: \$0.21; expected dividend yield 0%, expected volatility 76%, risk free rate of return 1.1%, and an expected maturity of 1.3 years. 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.

## **15. 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. 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.

## 16. SUBSEQUENT EVENT

---

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 purchase 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 estimated cash expenses of the Offering is \$350. The Corporation also agreed to pay the underwriters a cash commission equal to 6% of the Offering value which amounted to \$345k. In addition, the Corporation granted to the underwriters non-transferable compensation options to purchase, in the aggregate, 575,460 Units 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.