ROYAL NICKEL CORPORATION

(Doing business as RNC Minerals)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

TABLE OF CONTENTS

Management's Responsibility for Financial Reporting

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

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 consolidated 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 consolidated financial statements and (ii) the consolidated 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 consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated 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 consolidated 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 consolidated financial statements together with other financial information of the Corporation for issuance to the shareholders.

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

/s/ Mark Selby

Mark Selby
President and Chief Executive Officer

/s/ Tim Hollaar

Tim Hollaar
Chief Financial Officer

Toronto, Canada

March 30, 2018

March 30, 2018

Independent Auditor's Report

To the Shareholders of Royal Nickel Corporation

We have audited the accompanying consolidated financial statements of Royal Nickel Corporation and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the years ended December 31, 2017 and 2016, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502, www.pwc.com/ca

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Royal Nickel Corporation and its subsidiary as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years ended December 31, 2017 and 2016 in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Royal Nickel Corporation's ability to continue as a going concern.

PricewaterhouseCoopers LLP[1]

[1] CPA Auditor, CA, public accountancy permit No. A123475

Royal Nickel Corporation

Consolidated Balance Sheets

(Expressed in thousands of Canadian dollars)

	December 31, 2017	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents (note 1)	**$24,400**	$4,845
Amounts receivable (note 4)	**5,479**	5,569
Inventories (note 5)	**4,788**	5,422
Derivative financial assets (note 12)	**-**	2,195
	34,667	18,031
Non-current assets		
Property, plant and equipment (note 7)	**23,509**	65,969
Mineral property interests (note 8)	**48,956**	72,886
Investment in associate (note 6)	**1,642**	1,666
Derivative financial assets (note 12)	**-**	410
Other non-current assets	**213**	330
Total assets	**$108,987**	$159,292
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 4)	**$33,777**	$16,878
Share incentive plans	**1,405**	1,706
Asset retirement obligations (note 19)	**866**	-
Current portion of long-term debt (note 9)	**8,258**	2,991
Current portion of convertible debentures (note 10)	**3,011**	-
Deferred revenue (note 11)	**13,296**	20,951
Finance leases	**518**	1,383
Derivative financial liability (note 12)	**2,581**	365
	63,712	44,274
Non-current liabilities		
Deferred revenue (note 11)	**292**	11,731
Asset retirement obligation (note 19)	**1,348**	1,223
Deferred income tax liability (note 20)	**7,809**	12,869
Long-term debt (note 9)	**4,619**	-
Convertible debentures (note 10)	**18,094**	-
Finance leases	**138**	-
Derivative financial liability (note 12)	**998**	571
Other non-current liabilities and provisions	**1,063**	755
Total liabilities	**98,073**	71,423
EQUITY		
Share capital	**164,158**	157,919
Contributed surplus	**28,868**	27,525
Accumulated other comprehensive income	**227**	87
Deficit	**(192,271)**	(101,565)
Equity attributable to RNC shareholders	**982**	83,966
Non-controlling interests	**9,932**	3,903
Total equity	**10,914**	87,869
Total liabilities and equity	**$108,987**	$159,292

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

Going concern (note 1)
Commitments (note 22)
Subsequent events (note 28)

Royal Nickel Corporation

Consolidated Statements of Loss and Comprehensive Loss

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

	Year ended December 31, 2017	2016
Revenue	**$73,076**	**$32,681**
Cost of operations		
Production and toll-processing costs	**62,412**	**20,219**
Royalty expense	**4,073**	**905**
General and administrative (note 16)	**7,614**	**11,258**
Impairment charges (notes 7 and 8)	**59,406**	**17,445**
Depreciation and amortization	**17,515**	**6,155**
Operating loss	**77,944**	**23,301**
Other expenses, net (note 24)	**19,251**	**4,842**
Loss before income tax	**97,195**	**28,143**
Deferred income tax expense (recovery) (note 20)	**(6,134)**	**474**
Loss for the period	**$91,061**	**$28,617**
Attributable to:		
RNC shareholders	*89,993*	*28,861*
Non-controlling interests	*1,068*	*(244)*
Other comprehensive income for the period		
Currency translation adjustments	140	87
Comprehensive loss for the period	**91,201**	**28,704**
Attributable to:		
RNC shareholders	*90,133*	*28,948*
Non-controlling interests	*1,068*	*(244)*
Loss per share attributable to RNC shareholders Basic and diluted (note 17)	**$0.31**	**$0.13**

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

Royal Nickel Corporation

Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars)

	Year ended December 31, 2017	2016
Cash flow provided by (used in)		
OPERATING ACTIVITIES		
Loss for the period	**$(91,061)**	$(28,617)
Deferred revenues received over amounts earned	**(11,363)**	34,530
Items not involving cash:		
Depreciation and amortization	**17,515**	6,155
Deferred income tax	**(6,134)**	474
Non-cash impairment charges (notes 7 and 8)	**59,406**	17,445
Other expenses (note 25)	**17,180**	2,514
Deemed repayments from contribution loan-Reed Mine	**-**	(6,408)
Shares issued for consulting services	**475**	792
Share-based payments	**672**	2,314
Foreign exchange loss (gain)	**(799)**	995
	(14,109)	30,194
Changes in non-cash working capital		
Amounts receivable and prepaid expenses	**2,357**	3,498
Inventories	**634**	(1,609)
Accounts payable and accrued liabilities	**9,059**	5,755
	(2,059)	37,838
INVESTING ACTIVITIES		
Net proceeds on sale of Dumont (note 8)	**30,335**	-
Expenditures on mineral property interests	**(6,028)**	(6,987)
Acquisition of property, plant and equipment	**(31,361)**	(19,693)
Cash acquired on acquisitions	**384**	5,382
Investment in SLM	**-**	(2,500)
Investment in associate	**-**	(125)
	(6,670)	(23,923)
FINANCING ACTIVITIES		
Issuance of shares, net of costs	**1,585**	18,026
Issuance of convertible debentures (note 10)	**20,202**	-
Issuance of long-term debt	**5,426**	3.140
Repayments of long-term debt	**(4,388)**	-
Exercise of options and warrants	**3**	263
Private placement – Orford	**6,359**	1,000
Repayment of senior secured facilities	**-**	(40,659)
Principal payments on finance leases	**(903)**	(474)
	28,284	(18,704)
Change in cash and cash equivalents	**19,555**	(4,789)
Cash and cash equivalents, beginning of period	**4,845**	9,634
Cash and cash equivalents, end of period	**$24,400**	$4,845
Components of cash and cash equivalents:		
Cash	**$9,070**	$182
Cash equivalents	**15,330**	4,663
	$24,400	$4,845

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

Royal Nickel Corporation

Consolidated Statements of Changes in Equity

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

	Share Capital		Contributed Surplus	Accumulated Other Comprehensive income	Deficit	Equity attributable to RNC shareholders	Non-controlling interest	Total Equity
	Number	Amount						
Balance as at January 1, 2017	**276,161,507**	**$157,919**	**$27,525**	**$87**	**$(101,565)**	**$83,966**	**$3,903**	**$87,869**
Shares issued for consulting services	2,294,123	475	-	-	-	475	-	475
Shares issued to Westgold (note 11)	23,431,019	4,708	-	-	-	4,708	-	4,708
Private placement – flow through common shares (note 13)	5,999,999	1,127	-	-	-	1,127	-	1,127
Exercise of stock options	20,000	3	-	-	-	3	-	3
Private placement – Orford (notes 3 and 13)	-	-	-	-	-	-	6,536	6,536
Flow through share issue costs	-	(74)	-	-	-	(74)	-	(74)
Change in minority interest (note 13)	-	-	-	-	(713)	(713)	561	(152)
Warrants issued (note 14)	-	-	706			706	-	706
Share-based payments	-		637	-	-	637	-	637
Loss for the period	-	-	-	-	(89,993)	(89,993)	(1,068)	(91,061)
Other comprehensive income	-	-	-	140	-	140	-	140
Balance as at December 31, 2017	**307,906,648**	**$164,158**	**$28,868**	**$227**	**$(192,271)**	**$982**	**$9,932**	**$10,914**

Royal Nickel Corporation

	Share Capital							
	Number	Amount	Contributed Surplus	Accumu-lated Other Compre-hensive income	Deficit	Equity attributable to RNC shareholders	Non-controlling interest	Total Equity
Balance as at January 1, 2016	**131,325,941**	**$113,051**	**$24,818**	**-**	**$(72,704)**	**$65,165**	**$3,113**	**$68,278**
Shares issued for consulting services	3,453,443	792	-	-	-	792	-	792
Acquisition of SLM – common shares initial acquisition	31,937,831	6,387	-	-	-	6,387	4,676	11,063
Acquisition of SLM – non-controlling interest	24,324,067	5,075	-	-	-	5,075	(5,075)	-
Acquisition of VMS	36,000,000	15,480	-	-	-	15,480	-	15,480
Public Offering and Overallotment	18,060,000	9,211	-	-	-	9,211	-	9,211
Public Offering and overallotment issue costs	-	(1,268)	91	-	-	(1,177)	-	(1,177)
Private placement – flow through common shares	3,274,000	1,670	-	-	-	1,670	-	1,670
Issue costs – warrants	-	-	262	-	-	262	-	262
Flow-through share premium on issuance	-	(311)	-	-	-	(311)	-	(311)
Flow-through issue costs	-	(151)	15	-	-	(136)	-	(136)
Private placement and overallotment	27,059,500	8,184	1,016	-	-	9,200	-	9,200
Private placement and overallotment issue costs	-	(799)	57	-	-	(742)	-	(742)
Private placement – TNN	-	-	-	-	-	-	1,000	1,000
Decrease in minority interest	-	-	55	-	-	55	(55)	-
Exercise of warrants for cash	470,058	209	(32)	-	-	177	-	177
Exercise of stock options for cash	256,667	389	(303)	-	-	86	-	86
Share-based payments	-	-	1,546	-	-	1,546	-	1,546
Income (loss) for the period	-	-	-	-	(28,861)	(28,861)	244	(28,617)
Other comprehensive income	-	-	-	87	-	87	-	87
Balance as at December 31, 2016	**276,161,507**	**$157,919**	**$27,525**	**$87**	**$(101,565)**	**$83,966**	**$3,903**	**$87,869**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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

The consolidated financial statements of the Corporation as at and for the year ended December 31, 2017 are comprised of RNC, its subsidiaries Orford Mining Corporation ("**Orford**") (formerly True North Nickel Inc. ("**TNN**")), Salt Lake Mining Pty Ltd. ("**SLM**'), and VMS Ventures Inc. ("**VMS**"), its 50% interest in Magneto Investments Limited Partnership ("**Magneto JV**") (note 8) and the Corporation's interest in its associate Sudbury Platinum Corporation ("**SPC**") (collectively referred to as the "**Corporation**").

The Corporation is a mineral resource company primarily focused on the acquisition and development of a portfolio of base and precious metal assets. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current mining operations or planned exploration and development programs will result in profitable mining operations.

The accompanying consolidated financial statements have been prepared using International Financial Reporting Standards ("**IFRS**") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

As at December 31, 2017, the Corporation had negative working capital of $29,045, an accumulated deficit of $192,271 and had a net loss of $91,061 for the year then ended. Working capital included cash and cash equivalents of $24,400, of which $20,904 is dedicated to the Magneto JV (for a description of the Magneto JV refer to note 8). These circumstances indicate the existence of material uncertainties that cast significant doubt upon the Corporation's ability to continue as a going concern and accordingly, the appropriateness of the use of IFRS applicable to a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

The Corporation's ability to continue future operations and fund its operations and successfully operate its Beta Hunt Mine (SLM) is dependent on management's ability to secure additional financing in the future, which may be completed in a number of ways including, but not limited to, the issuance of debt or equity instruments, expenditure reductions, or a combination of strategic partnerships, joint venture arrangements, project debt finance, offtake financing, royalty financing and other capital markets alternatives. While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Corporation or that they will be available on terms which are acceptable to the Corporation. If management is unable to obtain new funding, the Corporation may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these consolidated financial statements which were approved by the board of directors on March 30, 2018.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("**IASB**").

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

Subsidiaries

The Corporation's consolidated financial statements consolidate the accounts of Royal Nickel Corporation and its subsidiaries.

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 loss and other comprehensive loss is recognized directly in equity even if the results of the non-controlling interests have a deficit balance.

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

Associates

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

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

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 Corporation's share of profits or losses of associates 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 investment in 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.

Joint Arrangements and interests in other entities

A joint arrangement is defined as an arrangement in which two or more parties have joint control. Joint control is the contractually agreed sharing of control over an arrangement between two or more parties. This exists only when the decisions about the relevant activities that significantly affect the returns of the arrangement require the unanimous consent of the parties sharing control. A joint operation is a joint arrangement whereby the parties have joint control of the arrangement and have rights to the assets and obligations for the liabilities relating to the arrangement. These consolidated financial statements include the Company's interests in the assets, liabilities, revenues and expenses of the joint operations, from the date that joint control commenced. The Corporation's 50% interest in Magneto JV, the entity that holds the Dumont Nickel-Cobalt Project, has been accounted for as a joint operation. The Corporation has determined that neither joint control nor significant influence exists in the Reed Mine arrangement. The Corporation's undivided interests in the Reed Mine's assets, liabilities, revenues, expenses and cash flows are nevertheless accounted for in a manner similar to a joint operation.

(b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments to fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional and Presentation Currency

Items included in the financial statements of each of the Corporation's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Canadian dollars, which are the functional currencies of the Corporation, Orford and VMS. The functional currency of SLM is the Australian dollar ("AUD").

Foreign Currency Translation of Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are included in the consolidated statement of loss and comprehensive loss within foreign exchange.

(c) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management team that makes strategic decisions.

(d) Revenue recognition

The Corporation recognizes revenue when the amount of revenue can be measured reliably, it is probable that future economic benefits will flow to the Corporation, the Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods, retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(e) Financial instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable and unconditional right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

At initial recognition, the Corporation classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(ii) Held for trading: Financial instruments in this category include assets held by the Corporation for short-term profit. They are recognised initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of loss and comprehensive loss. Gains and losses arising from changes in fair value are presented in the consolidated statement of loss and comprehensive loss.

(iii) Financial assets and liabilities designated at fair value through profit or loss (FVTPL): Financial instruments in this category include assets voluntarily classified in this category and are recognised initially and subsequently at fair value. Gains and losses arising from changes in fair value are presented in the consolidated statement of loss and comprehensive loss.

(iv) Other financial liabilities: Financial liabilities at amortized cost include accounts payable and accrued liabilities. Other financial liabilities are initially recognized at the amount required to be paid, less any transaction costs and, when material, a discount to reduce to fair value and are subsequently measured at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

Financial instruments – Fair value

The fair value hierarchy under which the Corporation's financial instruments are valued is as follows:

- Level 1 includes unadjusted quote prices in active markets for identical assets or liabilities;
- Level 2 includes inputs other than quoted prices included in Level 1 that are observable for the assets or liability; and
- Level 3 includes inputs for the asset or liability that are not based on observable market data.

The Corporation's financial instruments consist of the following:

Financial assets	**Classification**
Cash and cash equivalents	Loans and receivables
Amounts receivable	Loans and receivables
Other Investment - investment in Sphinx Resources Ltd.	FVTPL
Derivative financial assets	Held for trading

Financial liabilities	**Classification**
Accounts payable and accrued liabilities	Other financial liabilities
Derivative financial liabilities	Held for trading
Long-term debt	Other financial liabilities
Convertible debentures – host	Other financial liabilities
Convertible debentures – derivative	FVTPL
Other non-current liabilities and provisions	Other financial liabilities

At each reporting date, the Corporation assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Corporation recognizes an impairment loss, as follows:

(v) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

(vi) Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

(f) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the agreement at the inception date.

Finance leases - Leases which transfer substantially all the risks and rewards incidental to ownership of the leased item to the Corporation, as a lessee, are capitalized at the inception of the lease at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and the lease liability. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Corporation will obtain ownership by the end of the term of the lease.

Operating leases - Leases that do not transfer substantially all the risks and rewards incidental to ownership to the Corporation as a lessee are classified as operating leases. Operating lease payments are recognized on a straight-line basis over the lease term as an expense in the consolidated statement of loss and comprehensive loss or capitalized within property, plant and equipment if they meet the capitalization criteria.

(g) Business Combinations

A business combination is defined as an acquisition of assets and liabilities that constitute a business. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return to the Corporation and its shareholders in the form of dividends, lower costs or other economic benefits. A business consists of inputs, including non-current assets, and processes, including operational processes, that when applied to those inputs have the ability to create outputs that provide a return to the Corporation and its shareholders. A business also includes those assets and liabilities that do not necessarily have all the inputs and processes required to produce outputs, but can be integrated with the inputs and processes of the Corporation to create outputs. When acquiring a set of activities or assets in the exploration and development stage, which may not have outputs, the Corporation considers other factors to determine whether the set of activities or assets is a business.

Those factors include, but are not limited to, whether the set of activities or assets: (i) Has begun planned principal activities; (ii) Has employees, intellectual property and other inputs and processes that could be applied to those inputs; (iii) Is pursuing a plan to produce outputs; and (iv) Will be able to obtain access to customers that will purchase the outputs.

Not all of the above factors need to be present for a particular integrated set of activities or assets in the exploration and development stage to qualify as a business.

Business combinations are accounted for using the acquisition method whereby identifiable assets acquired and liabilities assumed, including contingent liabilities, are recorded at 100% of their fair values at acquisition date. The acquisition date is the date at which the Corporation obtains control over the acquiree, which is generally the date that consideration is transferred and the Corporation acquires the assets and assumes the liabilities of the acquiree.

(h) Mineral property interest

The Corporation is in the exploration and evaluation stage with respect to certain of its investments in mineral properties and accordingly follows the practice of capitalizing all costs relating to the acquisition, exploration, and evaluation of mineral claims and crediting all proceeds received for farm-out arrangements, recovery of costs, and sale of a royalty against the cost of the related claims. Such costs include, but are not limited to, geological, geophysical studies, exploratory drilling and sampling.

The Corporation recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

Once the technical feasibility and commercial viability of the extraction of resources from a particular mineral property has been determined, expenditures are reclassified to “Mine development assets” within property, plant and equipment. A mandatory impairment test is required to be performed immediately prior to the reclassification. Property, plant and equipment are carried at cost until the properties to which they relate are placed into commercial production, sold, abandoned or determined by management to be impaired.

The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors, such as:

- Results of studies;
- Status of permits and rights and other agreements to allow access rights;
- Ability to raise project financing; and
- Approval by management and/or Board of Directors to proceed to development.

Upon transfer of "Mining property interests" into "Mine development assets" in property, plant and equipment, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized within "Mine development assets". After production starts, all assets included in "Mine development assets" are transferred to "Producing mines". At such time as commercial production commences, these costs will be charged to operations on a unit of production method based on proven and probable reserves.

(i) Commercial production

Prior to reaching pre-determined levels of operating capacity intended by management, costs incurred are capitalized as part of property, plant and equipment, and proceeds from sales are offset against capitalized costs. Depletion of capitalized costs for mining properties begins when pre-determined levels of operating capacity intended by management have been reached. Management considers several factors in determining when a mining property has reached levels of operating capacity intended by management, including:

- when the mine is substantially complete and ready for its intended use;
- the ability to sustain ongoing production at a steady or increasing level;
- the mine has reached a level of pre-determined percentage of design capacity; and,
- mineral recoveries are at or near the expected production level,

Commercial production will be declared on the first day of the calendar month following achievement of the above milestones. Once in commercial production, the capitalization of certain mine development and construction costs cease. Subsequent costs are either regarded as forming part of the cost of inventory or expensed. However, any costs relating to mining asset additions or improvements or mineable reserve development are assessed to determine whether capitalization is appropriate.

As a result of the successful mining and extraction rates achieved during the year ended December 31, 2017, the Beta Hunt gold operation achieved commercial production during the latter part of the second quarter and ceased capitalization of pre-commercial costs effective July 1, 2017.

(j) Property, plant and equipment

Property, plant and equipment ("**PPE**") are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Repairs and maintenance costs are charged to the statement of comprehensive loss during the period in which they are incurred. Depreciation is recognized based on the cost of an item of PPE, less its estimated residual value, over its estimated useful life at the following rates:

Detail	Percentage	Method
Land	nil	none
Mining properties	nil	Units of production
Building	5%	Declining balance
Vehicles	30%	Declining balance
Camp, furniture and equipment	20%	Declining balance
Computer equipment	30%	Declining balance

An asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, on an annual basis.

An item of PPE is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of loss and comprehensive loss.

Where an item of PPE consists of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Expenditures incurred to replace a component of an item of PPE that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Exploration costs incurred on a property in production are capitalized in property, plant and equipment and depreciated over the underlying property estimated recoverable ore on the basis of the related area of interest.

Buildings and equipment related to mining production are recorded at cost and depreciated net of residual value, using the units of production method, over the expected operating life of the mine based on estimated recoverable ore. However, if the anticipated useful life of the asset is less than the life of the mine, depreciation is based on its anticipated useful life.

Mining equipment is recorded at acquisition cost. Depreciation is provided for using the declining balance method at a rate of 30%, with the exception of depreciation of the mining equipment. The depreciation expense remains capitalized for mining assets not in commercial production and will be recognized in the consolidated statement of loss and comprehensive loss gradually as the mining properties are put into commercial production.

At our underground mines, we incur development costs to build new shafts, drifts and ramps that will enable us to physically access ore underground. The time over which we will continue to incur these costs depends on the mine life. These underground development costs are capitalized as incurred. Capitalized underground development costs are depreciated on a units of production basis, whereby the denominator is the estimated ounces/pounds of gold/nickel/copper in proven and probable reserves and the portion of resources considered probable of economic extraction based on the current life of mine plan that benefit from the development and are considered probable of economic extraction.

(k) Inventories

Nickel and gold is physically measured and valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Production costs include the cost of raw materials, direct labor, other direct costs and related mine-site overhead expenses (based on normal operating capacity), including applicable depreciation on property, plant and equipment.

Supplies, spare parts and ore in stockpiles are valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method.

Net realizable value is the estimated selling price in the normal course of business, less estimated costs of completion and applicable selling expenses.

(l) Identifiable intangible assets

The Corporation's intangible assets comprise computer software with finite useful lives. These assets are capitalized and amortized at a 30% declining balance basis in the consolidated statement loss and comprehensive loss.

(m) Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the consolidated statement of loss and comprehensive loss in the period in which they are incurred.

(n) Impairment of non-financial assets

Property, plant and equipment, intangible assets and mineral property interests are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the asset group to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell (FVLCS) and value in use (VIU). In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as additional depreciation or amortization. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the depreciation or amortization charge for the period.

The recoverability of amounts shown for mineral property interests is dependent upon several factors including, but not limited to, completion of the acquisition of the mineral property interests, the discovery of economically recoverable reserves, confirmation of the Corporation's interest in the underlying mineral claims, obtaining the necessary development permits, and the ability of the Corporation to obtain necessary financing to complete the development and future profitable production or, alternatively, upon disposition of such property at a profit. Changes in future conditions could require material write downs of the carrying values of mineral property interests and property, plant and equipment.

(o) Flow-through shares

The Corporation may finance some exploration expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. The Corporation recognizes a deferred tax liability for flow-through shares and a deferred tax expense, at the moment the eligible expenditures are incurred. The difference between the quoted price of the common shares or the amount recognized in common shares and the amount the investors pay for the shares (the “premium”) is recognized as another liability, which is reversed as a deferred tax recovery when eligible expenditures have been made.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and high interest savings accounts with monthly distribution of interest, which can be withdrawn at any time without any penalty.

(q) 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. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(r) Restoration, rehabilitation and environmental obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, evaluation, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of a plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, excluding the risks for which future cash flow estimates have already been adjusted. The related liability is adjusted each period for the unwinding of the discount rate, and if required, for changes to the current market-based discount rate, amount and timing of the underlying cash flows needed to settle the obligation. The Corporation also records a corresponding asset amount which is amortized over the remaining service life of the asset.

(s) Share-based payment transactions

Share Options

The fair value of share options granted to employees is recognized as an expense, or capitalized to mineral property interests, over the vesting period with a corresponding increase in contributed surplus. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Deferred and Restricted Share Units and Share Appreciation Rights

A liability for deferred share units, restricted share units, and share appreciation rights, which have a cash settling feature at the choice of the holder, is measured at fair value on the grant date and is subsequently adjusted at each financial position reporting date for changes in fair value. The liability is recognized over the vesting period or using management's best estimate when contractual provisions restrict vesting until formal approval by the Compensation Committee, with a corresponding charge as an expense or capitalized to mineral property interests.

(t) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income or in equity, in which case it is recognized in other comprehensive income or in equity, respectively.

Mining taxes represent Canadian provincial taxes levied on mining operations and are classified as income taxes since such taxes are based on a percentage of mining profits.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred taxes are not recognized where the temporary difference arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that does not affect either accounting or taxable profit or loss, other than where the initial recognition of such an asset or liability arises in a business combination. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred income tax assets and liabilities are presented as non-current. Assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities or deferred tax assets against deferred tax liabilities and the respective assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(u) Loss per share

The Corporation presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants, compensation warrants, options, deferred and restricted share units outstanding that may add to the total number of common shares.

(v) Share capital and warrants

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period that the transaction occurs.

(w) Refundable tax credits for mining exploration expenses

The Corporation is entitled to a refundable tax credit on eligible mining exploration expenses incurred in the province of Quebec. The tax credit is accounted for against the related exploration and evaluation expenses incurred in mineral property interests.

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

Many of the amounts included in the consolidated 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 consolidated financial statements.

Areas of significant judgment and estimates affecting the amounts recognized in the consolidated financial statements include:

(i) Business combinations

The information necessary to measure the fair values as at the acquisition date of assets acquired and liabilities assumed requires management to make certain judgments and estimates about future events, including but not limited to:

- Estimates of mineral resources and exploration potential acquired;
- Future operating costs and capital expenditures;
- Discount rates to determine fair value of assets acquired; and
- Future metal prices and long-term foreign exchange rates.

(ii) Establishment of technical feasibility and commercial viability of a mineral property

The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors. By its nature, this assessment requires significant judgment.

As at December 31, 2017, management determined that the technical feasibility and commercial viability had not yet been established for the Dumont Nickel-Cobalt Project and as such the mineral properties are still considered to be at the exploration and evaluation stage.

If a different conclusion had been reached, certain costs included in “Mineral property interests” could have been reclassified into “Mine development assets” and a mandatory impairment test would have been performed immediately prior to the reclassification.

(iii) Impairment of non-financial assets

The recoverability of amounts shown for mineral property interests is dependent upon several factors including, but not limited to, completion of the acquisition of the mineral property interests, the discovery of economically recoverable reserves, confirmation of the Corporation's interest in the underlying mineral claims, obtaining the necessary development permits, and the ability of the Corporation to obtain necessary financing to complete the development and future profitable production or, alternatively, upon disposition of such property at a profit. Changes in future conditions could require material write downs of the carrying values of mineral property interests and property, plant and equipment.

Property, plant and equipment and mineral properties interests are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the asset group to which the asset belongs. An asset’s recoverable amount is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. The reduction is recognized immediately as an impairment loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. The previously recognized impairment loss is reversed during the period in profit or loss.

The estimate of recoverable amounts with respect to non-financial assets are based on numerous assumptions and may differ significantly from actual recoverable amounts. The recoverable amounts are based, in part, on certain factors that may be partially or totally outside of the Corporation’s control. This evaluation involves a comparison of the estimated recoverable amounts of non-financial assets to their carrying values. The recoverable amount estimates may differ from actual recoverable amounts and these differences may be significant and could have a material impact on the Corporation’s financial position and results of operations. Asset groups are reviewed for an indication of impairment at each balance sheet date or when a triggering event is identified. This determination requires significant judgment. In particular, for assets in the exploration and evaluation stage, factors which could trigger an impairment review include, but are not limited to, an expiry of the right to explore in the specific area during the period or will expire in the near future, and is not expected to be renewed; substantive exploration and evaluation expenditures in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the Corporation has decided to discontinue such activities in the specific area; sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the assets is unlikely to be recovered in full from successful development or by sale; significant negative industry or economic trends; interruptions in exploration and evaluation activities; and a significant drop in current or forecasted nickel prices. Reference is made to notes 7 and 8 for descriptions of non-financial impairment charges in 2016 and 2017.

(iv) Income taxes

The Corporation is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Corporation recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Periodically, judgment is required in determining whether deferred tax assets are recognized on the consolidated balance sheets. Deferred tax assets, including those arising from unused tax losses, require management to assess the probability that the Corporation will generate taxable profits in future periods, in order to utilize deferred tax assets. Once the evaluation is completed, if the Corporation believes that it is probable that some portion of deferred tax assets will fail to be realized, deferred tax asset is derecognized. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation to realize the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Corporation operates could limit its ability to obtain tax deductions in future periods Management judgment is required in determining whether a deferred tax liability is recognized on temporary differences arising on investments in subsidiaries. Judgment is necessary in asserting management's intentions about the reinvestment of undistributed profit in the foreseeable future. Estimates on reinvestments are based on forecasts and on estimates of financial requirements of both the Corporation and its subsidiaries. To the extent that future results and financial requirements differ significantly from estimates, the deferred tax liability provided on temporary differences arising from investments in subsidiaries recorded at the reporting date could be impacted.

(v) Going concern

The assessment of the Corporation's ability to execute its strategy by funding future working capital and exploration, evaluation, development and acquisition activities involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(vi) 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.

(vii) 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.

(viii) Derivative financial instruments

Derivatives are measured at fair value through profit and loss and their fair value must be measured at each reporting period, with subsequent changes in fair value recorded in the consolidated statement of loss and comprehensive loss. To estimate the fair value of the derivatives at the inception date and again at statement of financial position date, derivative valuation models were used.

(ix) Embedded derivatives in convertible debentures

Embedded derivatives are recorded at fair value separately from the host contract when their economic characteristics and risks are not clearly and closely related to those of the host contract. In 2017, the Corporation issued convertible debentures. The convertible debentures contain a compound embedded derivative which consists of conversion and early redemption options. The derivative is measured at fair value through profit and loss and its fair value must be measured at each reporting period, with subsequent changes in fair value recorded in the consolidated statements of loss and comprehensive loss. To estimate the fair value of the derivative at the inception date and again at subsequent reporting dates, derivative valuation models were used. Several key assumptions affect the results of this calculation, including estimated share price volatility, the probability of a change of control and the estimated credit spread. See note 10 for details on the assumptions used to determine the fair value of the derivatives.

(x) Joint arrangements

Judgement is required in the proper accounting for joint arrangements per IFRS 11 *Joint arrangements* and IAS 28 *Investments in associates and joint ventures*, including the determination of joint control and significant influence. Joint control and significant influence are determined by assessment of the relevant agreements and differences in that determination could have a material effect on the consolidated financial statements.

(y) Compound Instruments

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

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

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

(z) Recent accounting pronouncements not yet adopted

IFRS 2 - Share based payments

In June 2016, the IASB issued an amendment to IFRS 2 to clarify the measurement for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. The mandatory effective date of the amendment to IFRS 2 is for annual periods beginning on or after January 1, 2018. The Corporation does not expect this amendment to have a significant impact on its results of operations.

IFRS 9 – Financial instruments, classification and measurement ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9 – Financial Instruments. The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and substantially completes the IASB's project to replace IAS 39 – Financial Instruments: Recognition and Measurement and related interpretations.

This standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset or liability and own credit. The standard introduces a new, expected loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and it lowers the threshold for recognition of full lifetime expected losses. The new standard also introduces a substantially-reformed model for hedge accounting with enhanced disclosures about risk management activity and aligns hedge accounting more closely with risk management. The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. As at December 31, 2017, the Corporation is in the process of completing its review and analysis of IFRS 9 and the effect on its consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers

The IASB has issued IFRS 15, Revenue from Contracts with Customers, which will replace IAS 11, Construction Contracts and IAS 18, Revenue and related interpretations. The mandatory effective date of IFRS 15 is January 1, 2018. The objective of IFRS 15 is to establish a single, principles based model to be applied to all contracts with customers in determining how and when revenue is recognized. IFRS 15 also requires entities to provide users of financial statements with more informative and relevant disclosures.

As at December 31, 2017, the Corporation is in the process of completing its review and analysis of IFRS 15 and the effect on its consolidated financial statements. Based on initial analysis, management does not expect the timing and amount of our revenue from product sales to be significantly different under IFRS 15.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, Leases. This new standard replaces IAS 17, Leases and related interpretations. The objective of IFRS 16 is to bring all leases on-balance sheet for lessees. IFRS 16 requires lessees to recognize a "right of use" asset and a lease liability calculated using a prescribed methodology. The mandatory effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019. Early adoption is permitted provided that IFRS 15, Revenue from Contracts with Customers, is also adopted. The Corporation is currently evaluating the impact of adopting IFRS 16 in its consolidated financial statements. Management expects to recognize additional leases on its consolidated balance sheet, which will increase its debt and property, plant and equipment balances. As a result of recognizing additional finance leases, management expects an increase in depreciation expense and finance expense.

3. REVERSE TAKEOVER TRANSACTION

On July 25, 2017, TNN entered into an Amalgamation Agreement with Focused Capital Corporation (“Focused”) and its wholly-owned subsidiary (“Focused Subco”) pursuant to which Focused Subco and TNN would amalgamate, and Focused would become a subsidiary of the Corporation through the resulting reverse takeover (“RTO”). Following the completion of the RTO on October 23, 2017, Focused changed its name to Orford.

Orford’s capital structure was unchanged from its original capital structure, other than for the issuance of 33,272,728 common shares of Focused to TNN shareholders after which the Corporation’s ownership of Orford was 54.5%. The reverse takeover of Focused does not meet the definition of a business combination under IFRS 3 Business Combinations and accordingly was accounted for in accordance with IFRS 2, *Share-based Payments*.

On July 25, 2017, in connection with the Amalgamation Agreement and as a condition for closing, TNN completed a concurrent private placement of subscription receipts for 3,470,000 units at a price of $0.50 per unit for gross proceeds of $1,735. Each unit comprised one common TNN share and one warrant exercisable to acquire one TNN share at an exercise price of $0.75 until July 25, 2020. On the same date, TNN also completed a concurrent private placement of subscription receipts for 2,247,473 flow-through units at a price of $0.55 per flow through unit for gross proceeds of $1,236. Each flow through unit comprised one TNN flow-through share and one-half warrant. Each whole warrant is exercisable to acquire one TNN share at an exercise price of $0.75 until July 25, 2020.

On September 15, 2017, in connection with the Amalgamation Agreement and as a condition for closing, TNN completed a second private placement of subscription receipts for 93,000 units and 222,800 flow-through share units on same terms as the July 25, 2017.

Orford incurred a total of $886 in transaction costs in connection with the above noted private placements and the RTO.

On December 29, 2017, Orford completed subscription receipts for 5,240,088 flow-through share units at a price of $0.45 per flow through share for gross proceeds of $2,358. A total of $88 in transaction costs were in connection with this private placement.

As a result of the December private placement, the Corporation's ownership of Orford was reduced to 48.3%. Even considering the fact that the Corporation does not own the majority of the issued and outstanding common shares of Orford, management determined that the Corporation continues to control Orford as it has the largest block of shares, it has significant board membership and has ongoing control of Orford's operations. Since the transaction did not result in a change of control over Orford, the Corporation continues to consolidate the financial results of Orford in its consolidated financial statements as at December 31, 2017.

4. AMOUNTS RECEIVABLE AND PAYABLE

Amounts receivable consist of the following:

	December 31, 2017	December 31, 2016
Trade accounts receivable	**$2,003**	$3,596
Deposits	**62**	73
Prepaid expenses	**3,060**	1,169
Commodity taxes	**218**	519
Tax credits	**136**	106
Other	**-**	106
	$5,479	$5,569

Accounts payable and accrued liabilities consist of the following:

	December 31, 2017	December 31, 2016
Trade accounts payable	**$17,084**	$7,927
Accrued liabilities	**12,051**	8,951
Amount owing to Auramet in respect of financing (notes 9(iii) and 28)	**4,642**	-
	$33,777	$16,878

5. INVENTORIES

Inventories consist of the following:

	December 31, 2017	December 31,2016
Gold ore and gold in process	**$4,487**	$5,014
Supplies	**271**	365
Fuel	**30**	43
	$4,788	$5,422

As at December 31, 2017, $981 of net realizable value adjustments were recorded for gold ore and gold in process.

6. INVESTMENTS IN ASSOCIATE

At December 31, 2017, the Corporation held a direct 15.6% interest in SPC (2016 – 15.6%).

Management has determined that its investment in the common shares of SPC still gives it significant influence over SPC. As a result, the Corporation continued to apply 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 December 1, 2016, to November 30, 2017, and taking into account any changes in the subsequent period from December 1 to December 31, 2017, that would materially affect the results.

Summarized financial information relating to the Corporation's investment in SPC is as follows:

	Year ended December 31, 2017	2016
Share of loss and comprehensive loss	**$(24)**	$(67)

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

	December 31, 2017	December 31, 2016
Balance as at January 1	**$1,666**	$1,525
Acquisition	**-**	125
Gain on dilution of associate	**-**	83
Share of loss and comprehensive loss	**(24)**	(67)
Balance, end of period	**$1,642**	$1,666

7. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Vehicles	Camp, Furniture and equipment	Beta Hunt mine - Gold	Beta Hunt mine - Nickel	Reed mine	Under-ground Equip-ment	Mine Buildings	Total
Year ended December 31, 2017									
Opening net book amount	**$525**	**$464**	**$909**	**$35,683**	**$7,202**	**$16,112**	**$5,021**	**$53**	**$65,969**
Pre-commercial gold cost of sales, net of gold revenue	-	-	-	20,642	-	-	-	-	**20,642**
Additions	352	563	152	16,859	3,408	-	1,829	-	**23,163**
Dispositions	(623)	(5)	(16)	-	-	-	(39)	-	**(683)**
Impairment charge	-	-	-	(53,643)	(5,056)	-	-	-	**(58,699)**
Foreign exchange	-	3	4	(210)	60	-	46	1	**(96)**
Depreciation for the period	(25)	(106)	(255)	(14,243)	(626)	(10,593)	(932)	(7)	**(26,787)**
Closing net book amount	**$229**	**$919**	**$794**	**$5,088**	**$4,988**	**$5,519**	**$5,925**	**$47**	**$23,509**
At December 31, 2017									
Cost	$246	$1,065	$1,841	$27,170	$6,010	$22,040	$7,398	$65	**$65,835**
Accumulated depreciation	(17)	(127)	(997)	(21,453)	(890)	(16,521)	(1,168)	(15)	**(41,188)**
Foreign exchange	-	(19)	(50)	(629)	(132)	-	(305)	(3)	**(1,138)**
Net book amount	**$229**	**$919**	**$794**	**$5,088**	**$4,988**	**$5,519**	**$5,925**	**$47**	**$23,509**

	Land and Buildings	Vehicles	Camp, Furniture and equipment	Beta Hunt mine - Gold	Beta Hunt mine - Nickel	Reed mine	Under-ground Equip-ment	Mine Buildings	Total
Year ended December 31, 2016									
Opening net book amount	$526	$17	$608	$-	$-	$-	$-	$-	$1,151
Pre-commercial gold cost of sales, net of gold revenue	-	-	-	17,006	-	-	-	-	17,006
Additions	26	287	445	7,474	122	-	3,034	-	11,388
Acquisitions (notes 3 and 4)	-	210	120	18,832	7,535	22,040	2,574	65	51,376
Foreign exchange	-	(7)	(12)	(419)	(191)	-	(65)	(2)	(696)
Depreciation for the period	(27)	(43)	(252)	(7,210)	(264)	(5,928)	(522)	(10)	(14,256)
Closing net book amount	$525	$464	$909	$35,683	$7,202	$16,112	$5,021	$53	$65,969
At December 31, 2016									
Cost	$818	$621	$1,778	$43,312	$7,657	$22,040	$5,608	$65	$81,899
Accumulated depreciation	(293)	(150)	(857)	(7,210)	(264)	(5,928)	(522)	(10)	(15,234)
Foreign exchange	-	(7)	(12)	(419)	(191)	-	(65)	(2)	(696)
Net book amount	$525	$464	$909	$35,683	$7,202	$16,112	$5,021	$53	$65,969

The Corporation considers both qualitative and quantitative factors when determining whether an asset may be impaired. In the fourth quarter of 2017 management determined that the Beta Hunt mine–gold and Beta Hunt mine–nickel, may both be impaired in light of the following conditions and as such performed an impairment test:

i) In the six months subsequent to July 1, 2017 commencement of commercial gold production, Beta Hunt mine-gold unit costs were significantly higher than originally expected post-commercial production and were higher than the gold selling price during the period.

ii) Production volumes of the Beta Hunt mine–nickel were significantly less than originally expected and the life of mine plan is compromised subsequent to June 2018.

IAS 36, Impairment of Assets, uses a two-step approach to a) identify if an impairment indicator exists and b) to measure an impairment loss, which is based on comparing the carrying value to the recoverable amount. The recoverable amount is the higher of value in use ("VIU"), which is based on discounted cash flows, and fair value less costs of disposal ("FVLCTD") (the amount obtainable from the sale of an asset or a cash-generating unit ("CGU") in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal). Where there is no binding sale agreement or active market, FVLCTD is based on the best information available to estimate what after-tax rate of return a market participant might expect to achieve for an arm's length acquisition of the CGU, using estimated cash flows which include future capital expenditures.

Included in property, plant and equipment are both mines, each of which is a CGU on its own. Management therefore assessed the recoverable amounts of the Beta Hunt mine–gold and Beta Hunt mine–nickel separately.

Beta Hunt mine–Gold CGU

As at December 31, 2017, the carrying value of the Beta Hunt mine–gold CGU exceeded its estimated recoverable amount resulting in an impairment charge of $53,643 being recognized in the consolidated statements of loss and comprehensive loss.

The recoverable amount of $5,088 as at December 31, 2017 was determined using VIU, which was calculated based on projected future cash flows utilizing the latest information available and Management's estimates, including; throughput and gold grade, projected gold prices, operating costs, general and administrative costs, capital expenditures and foreign exchange rates.

These projected cash flows were prepared using a 2% inflation estimate, gold prices ranging from US$1,200 to US$1,270 and discounted using a pre-tax discount rate of 13.5% on cash flows from mineral resources. The discount rate was determined using estimates related to risk-free rate, small company risk premium, company specific risk premium, equity market risk premium, and beta adjustment to the equity risk premium based on a review of comparable gold mining companies.

Sensitivities

The projected cash flows and estimated VIU can be affected by any one or more changes in the estimates used. Changes in operating expenses and gold prices have the most substantial influence on the CGU's valuation. A 2.5% change in each of these would change the VIU by more than 80% and could potentially increase or further reduce the recoverable amount of the CGU.

Beta Hunt mine - Nickel CGU

As at December 31, 2017, the carrying value of the Beta Hunt mine – nickel CGU exceeded its estimated recoverable amount resulting in an impairment charge of $5,056 being recognized in the consolidated statements of loss and comprehensive loss.

The recoverable amount of $4,988 as at December 31, 2017 was determined using FVLCTD derived from relevant information generated by market transactions involving identical or comparable assets to determine value and taking into consideration the estimated remaining nickel resources.

The Beta Hunt mine – nickel was compared with transactions involving similar investments, including publicly traded comparable companies and sales involving controlling interests in public or private comparable companies, which included nickel producers in Western Australia.

Sensitivities

Significant judgments have been used by management in determining market transactions involving identical or comparable assets to determine value and guideline companies and a different conclusion could be reached if a different set of comparables would have been used potentially increasing or further reducing the recoverable amount of the CGU.

As a result of the mining and extraction rates achieved during the year ended December 31, 2017, the Beta Hunt gold operation achieved commercial production during the latter part of the second quarter and ceased capitalization of pre-commercial costs effective July 1, 2017. Beta Hunt gold mine capitalized pre-commercial gold cost of sales, net of gold revenue is comprised of the following:

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

8. MINERAL PROPERTY INTERESTS AND INTEREST IN MAGNETO JV

Exploration and evaluation expenses

Exploration and evaluation expenses

	Dumont (a)	Magneto JV (a)	West Raglan (b)	Qiqavik (c)	Carolina Properties (d)	VMS Properties (e)	Total
Balance as at December 31, 2016	$ 58,000	$ -	$ 10,486	$ 2,477	$ -	$ 1,923	$ 72,886
Acquisition	-	30,275	-	-	-	-	30,275
Property acquisition and maintenance	35	18	2	92	181	-	328
Depreciation	15	7	8	62	-	-	92
Engineering and technical support	398	53	15	-	333	-	799
Exploration	195	8	30	4,265	-	-	4,498
Environmental, community and permitting	24	629	-	104	-	-	757
Share-based payments	10	-	59	-	-	-	69
Tax credits, net	-	-	-	(148)	-	-	(148)
Impairment charge	-	-	-	-	-	(1,923)	(1,923)
Partial recovery of impairment charge	1,216	-	-	-	-	-	1,216
Sale of Dumont property	(59,893)	-	-	-	-	-	(59,893)
Balance as at December 31, 2017	$ -	$ 30,990	$ 10,600	$ 6,852	$ 514	$ -	$ 48,956

	Dumont (a)	West Raglan (b)	Qiqavik (c)	VMS Properties (e)	Total
Balance as at December 31, 2015	$ 59,148	$ 10,142	$ -	$ -	$ 69,290
Acquisition of VMS	-	-	-	1,923	1,923
Property acquisition and maintenance	445	126	140	-	711
Depreciation	34	140	-	-	174
Engineering and technical support	2,040	-	-	-	2,040
Exploration	420	48	2,468	-	2,936
Environmental, community and permitting	652	30	21	-	703
Share-based payments	344	-	-	-	344
Tax credits, net	(41)	-	(152)	-	(193)
Impairment charge	(5,042)	-	-	-	(5,042)
Balance as at December 31, 2016	$ 58,000	$ 10,486	$ 2,477	$ 1,923	$ 72,886

(a) Dumont property

On April 20, 2017, RNC closed the joint venture transaction with Waterton Precious Metals Fund II Cayman, LP and Waterton Mining Parallel Fund Onshore Master, LP (collectively, "Waterton"). Under the terms of the transaction, RNC transferred its Dumont Nickel-Cobalt Project in the newly formed Magneto JV in return of US$22.5 million (CAD$30.3 million) and a 50% ownership in the Magneto JV. US$5 million (CAD$6.7 million) was paid directly to RNC and US$17.5 million (CAD$23.6 million) was injected into the Magneto JV on RNC's behalf by Waterton which is committed to further inject US$17.5 million (CAD$23.6 million). As at December 31, 2017, the Magneto JV had cash of $20,904 which can only be used for its own business activities. An impairment charge of $5,042 was taken in 2016 to reduce the carrying value of the Dumont property to $58,000. Reference is made to note 9 of the 2016 annual consolidated financial statements. Upon finalization, the sale resulted in a partial recovery of the 2016 impairment charge in the amount of $1,216. The transfer of certain assets to the Magneto JV also resulted in a net tax recovery of $4,898.

The Dumont property is located primarily in Launay and partly in Trecesson townships in the Abitibi Region in the province of Quebec and consists of 233 contiguous mineral claims totalling 9,306.5 hectares. The mineral properties comprising Dumont are all mineral claims. RNC holds 100% beneficial interest in five claims. Beneficial interest in the remaining 228 claims is held 98% by Magneto JV and 2% by Ressources Québec Inc., a subsidiary of Investissement Québec, and held under the terms of the agreement entered into by the Corporation and Ressources Québec Inc. on August 1, 2012. The Dumont mineral claims are subject to various royalty agreements arising from terms of the property acquisitions by the Corporation or through the sale of royalties. The details of the underlying agreements are described below.

(i) Griffis International mineral claims

The Griffis International Ltd. **("Griffis")** mineral claim block was originally held by Griffis, but a 100% interest in the claims was sold and transferred to the Corporation under an agreement dated January 15, 2007. The agreement with Griffis was not subject to any further future consideration, work commitment requirement or Net Smelter Return ("**NSR**") royalty**.**

(ii) Marbaw royalty

The Marbaw International Nickel Corporation ("**Marbaw**") property comprises an area totalling 2,639.0 hectares. This area originally consisted of 65 claims. Thirty-four of these claims were ground-staked claims that were converted to map-staked claims by the Quebec Ministry of Natural Resources ("**MNR**") in 2013. This property was originally held by Marbaw, but a 100% interest in the claims was sold and transferred to the Corporation for future consideration under an agreement dated March 8, 2007, that included future consideration.

a. Future consideration consisted of the following: (1) issuance of seven million shares in the Corporation to Marbaw upon the property being placed into commercial production or upon transfer of the property to a third party; (2) payment of $1,250 to Marbaw on March 8, 2008. This amount has been paid by the Corporation.

b. The Corporation also committed to incurring a minimum expenditure of $8,000 on the property prior to ceasing operations. This commitment was met in 2008. The Marbaw property is subject to a 3% NSR royalty payable to Marbaw. The Corporation has the right to buy back half of the 3% NSR royalty for $10,000 at any time.

c. This property is subject to the Ressources Québec royalty and Orion Mine Finance (“**Orion**”) royalties.

(iii) Coyle–Roby royalty

a. The Sheridan–Ferderber property comprises an area of 256.47 hectares corresponding to six historical contiguous ground-staked claims. The claims corresponding to the Sheridan–Ferderber property were converted to map-staked claims by the MNR in 2013.

b. The property was originally held 50% by Terrence Coyle and 50% by Michel Roby, but they were optioned to Patrick Sheridan and Peter Ferderber under an agreement dated October 26, 2006. The option agreement was subsequently assigned to the Corporation through an agreement dated May 4, 2007.

c. The Corporation’s option to acquire 100% interest in this property was exercised by the completion of $75 in work on the property before October 26, 2008 and by paying $10 to Coyle–Roby by October, 26 2007 and $30 to Coyle–Roby by October 26, 2008. The claims were transferred 100% to the Corporation on August 25, 2008.

d. The property is subject to a 2% NSR royalty payable to Terrence Coyle (1%) and Michel Roby (1%). The Corporation has the right to buy back half of this 2% NSR royalty for $1,000 at any time. An advance royalty of $5 per year is also payable to Coyle–Roby beginning in 2011. Advance royalty payments up to and including October 2015 have been made.

e. These claims are subject to the Ressources Québec royalty and the Orion royalties.

(iv) Frigon–Robert royalty

a. The Frigon–Robert property comprises two contiguous claims totalling 83.84 hectares. The claims were originally held 50% by Jacques Frigon and 50% by Gérard Robert. They were transferred to the Corporation through a purchase agreement dated November 1, 2010.

b. The property is subject to a 2% NSR royalty payable to Jacques Frigon (1%) and Gérard Robert (1%). RNC has the right to buy back half of this 2% NSR royalty for $1,000 at any time.

c. These claims are subject to the Ressources Québec royalty and the Orion royalties.

(v) Pershimco claims (Pershimco royalty)

a. The Pershimco mineral claim block comprises five claims totalling 195.64 hectares. The claims were originally held 100% by Pershimco Resources. The Corporation purchased these claims for $30 pursuant to an agreement dated March 18, 2013. These claims are subject to a 3% NSR royalty payable to Pershimco Resources. The Corporation has the option to buy back the NSR royalty in stages at any time by paying $1,000 for the first percent, $3,000 for the second percent and $6,000 for the third percent.

As these claims were acquired after the Ressources Québec agreement, they are not subject to the Ressources Québec royalty but are subject to the Orion royalties.

(vi) Ressources Québec royalty

On August 1, 2012, the Corporation entered into an investment agreement with Ressources Québec. Pursuant to the agreement, the Corporation received $12 million and Ressources Québec became entitled to receive 0.8% of the net smelter return from the sale of minerals produced from Dumont and acquired a 2% undivided co-ownership interest in the property. The Corporation has the right to repurchase, at any time after the fifth anniversary, all or any portion of Ressources Québec's interest for $10 million for each 0.2% of the net smelter return, to a maximum consideration of $40 million for the entire interest (including the 2% interest in the property). The investment was recorded as a reduction to Dumont's mineral property interest. The Ressources Québec royalty applies to all Dumont claims except the five Pershimco claims that were acquired after the Ressources Québec agreement.

(vii) Orion royalties

On May 10, 2013, the Corporation closed a royalty financing with RK Mine Finance Fund II (subsequently renamed Orion Mine Finance Fund I ("Orion")). Under the terms of the financing, Orion acquired (through 8248567 Canada Limited) a 1% NSR royalty in the project for a purchase price of US$15,000. The investment was recorded as a reduction to Dumont's mineral property interest.

On July 8, 2015, the Corporation closed a royalty financing with Orion. Under the terms of the financing, Orion acquired a 0.75% net smelter royalty in the Dumont project for a purchase price of US$6.9 million ($8,900). The Corporation has the right to re-purchase 50% of the royalty (0.375%) for a cash payment of US$15,000 on any one of the third, fourth and fifth anniversary of closing.

The Orion royalties apply to all Dumont claims.

(b) West Raglan property

A Net Smelter Royalty of 1.5% is payable to Anglo American Exploration (Canada) Ltd. for mineral production from the West Raglan Property. TNN has the right to repurchase one-third of the Royalty (or 0.5% of Net Smelter Returns) with respect to the Property for a price of $2,000, reducing the Royalty from 1.5% to 1% of the Net Smelter Returns from the Property. There are no other royalties, back-in rights, payments, or other agreements or encumbrances.

(c) Qigavik property

In 2016, TNN acquired the Qiqavik Property through staking. The TNN Qiqavik Property is comprised of claims held by TNN, Les Ressources Tectonic ("LRT") and Wayne Holmstead ("Holmstead"). In July 2015, TNN entered into an option agreement to acquire 100% interest in 93 LRT claims by completing certain exploration and other expenditures in the amount of $710 over a five year period. Claims held by LRT are subject to a 1.5% NSR, 1% of which can be purchased by TNN for $1,000. TNN fulfilled the initial exploration expenditures requirement during 2015 exploration season by funding a program in excess of $35. In December 2015, TNN entered into an option agreement to earn 100% of the Goshawk property (5 claims) from Holmstead by completing certain exploration and other expenditures in the amount of $215 over a 3 year period. Claims held by Holmstead are subject to a 1.5% NSR, 1% of which can be purchased by TNN for $1,000.

(d) Carolina Properties

In 2017, the Corporation entered into an option agreement with Carolina Gold Resources to earn a 70% interest in both the Jones-Keystone/Loflin and Landrum-Faulkner gold properties.

(e) VMS Properties

The mineral property interests include the Reed Exploration Extension Properties JV (Hudbay Joint Venture) in Manitoba. Hudbay is 70% owner and acts as the operator of the joint venture

In the third quarter of 2017, the Corporation assessed its mineral property interests for impairment and the Corporation determined that the VMS properties were fully impaired as the Corporation considered that substantive exploration and evaluation expenditures were neither budgeted nor planned. Accordingly, the Corporation recognized an impairment charge of $1,923 in its consolidated statement of loss and comprehensive loss related to the VMS properties.

9. LONG-TERM DEBT

Long-term debt is comprised of the following:

Year Ended December 31, 2017	**RNC YA II PN Note Agreement (i)**	**RNC IQ Loan (ii)**	**SLM Senior Secured Loan Facility (iii)**	**RNC Other (iiv)**	**Total**
Balance as at December 31, 2016	$ 2,991	$ -	$ -	$ -	$ 2,991
Additions	3,802	544	9,665	1,368	15,379
Issue costs	(288)	-	(348)	-	(636)
Issue costs - warrants	(374)	-	-	-	(374)
Repayments	(3,888)	-	-	(1,368)	(5,256)
Accretion expense	927	-	116	-	1,043
Change due to foreign exchange translation	(40)	-	(230)	-	(270)
Balance as at December 31, 2017	**3,130**	**544**	**9,203**	**-**	**12,877**
Less current portion	3,130	110	5,018	-	8,258
Non-current portion	$ -	$ 434	$ 4,185	$ -	$ 4,619

Year Ended December 31, 2016	RNC YA II PN Note Agreement	SLM Senior Secured Facility	VMS Contribution Loan from Hudbay	VMS Bridge Loan from Hudbay	Total
Balance as at December 31, 2015	$ -	$ -	$ -	$ -	$ -
Additions	3,369	-	-	-	3,369
Acquisitions	-	21,987	15,205	3,348	40,540
Issue costs - cash	(229)	-	-	-	(229)
Issue costs - warrants	(262)	-	-	-	(262)
Repayments	-	(27,393)	(9,918)	(3,348)	(40,659)
Deemed repayments from Reed Mine profits	-	-	(6,408)	-	(6,408)
Accretion expense	132	1,049	1,121	-	2,302
Change in fair value	-	4,111	-	-	4,111
Change due to foreign exchange translation	(19)	246	-	-	227
Balance as at December 31, 2016	2,991	-	-	-	2,991
Less current portion	2,991	-	-	-	2,991
Non-current portion	$ -	$ -	$ -	$ -	$ -

(i) YA II PN Note Agreement

On November 14, 2016, the Corporation contracted an unsecured note payable with YA II PN, Ltd. The proceeds of the loan were used for general working capital purposes. The initial agreement represented a commitment up to US$10,000 ($13,427), of which US$2,500 ($3,369) was initially drawn at an interest of 12%.

On August 8, 2017, the Corporation restructured the unsecured note payable with YA II PN, Ltd. and it was further amended on December 24, 2017. Under the terms of the restructuring, the lender advanced US$3 million ($3,802) to the Corporation, of which US$1.35 million ($1,803) was used to fully repay the current facility. The facility bears 12% annualized interest. The principal and interest are repaid over a nine-month period from December 2017 to August 2018 with US$250 principal paid from in the first two months, US$286 principal repaid in months three to eight and a final payment of US$786 in September 2018. As part of the transaction, the Corporation issued 5.9 million 24 month warrants to the lenders (note 14), exercisable at a strike price of $0.24 per share. The fair value of the warrants of $374 was measured using the Black-Scholes option pricing formula with the following assumptions:

Share price	$0.19
Exercise price	$0.24
Risk free interest rate	1.5%
Expected life	2 years
Expected volatility	76%
Expected dividends	nil

(ii) IQ Loan

In 2017, the Corporation borrowed $544 from Investissement Quebec (“IQ”) with the following terms: (i) the Corporation is required to repay the loan by making 60 monthly principal re-payments in the amount of $10 each starting in February 2018; (ii) the loan expires in 2023; (iii) the rate of interest is based on prime plus 0.25%; (iv) qualifying expenses incurred until June 30, 2017; and (v) the loan is secured by a general security agreement granted by the Corporation over certain personal and intangible property.

(iii) Senior Secured Loan Facility

On December 8, 2017, SLM entered into a Senior Secured Loan Facility with Auramet in the amount of US$12,650 ($16,268) which comprised a US$9,000 ($11,574) cash loan with a gold coupon and a US$3,650 ($4,694) nickel prepayment loan. Under the terms of the facility, Auramet subscribed for 29,750,312 common shares of the Corporation at a price of C$0.16 per share which were issued on January 3, 2018. The proceeds of the facility were used to satisfy the remaining obligation under the Senior Secured Gold Loan (note 11) to deliver 11,760 ounces of gold. A loss of $6,848 was recorded as a loss in other expenses, net which represents the difference between the value of the facility and the book value of the deferred revenue (note 24) and promissory note (note 9(iv)) as at December 8, 2017.

Security for the facility includes a first priority security interest and mortgage over all SLM assets, a VMS guarantee secured by all VMS assets, and limited recourse guarantee by the Corporation secured by a pledge of SPC and Orford shares. The facility is subject to certain covenants including A$2 million minimum liquidity (waived at December 31, 2017) and restrictions on dividends or return of capital to the Corporation,

The US$9,000 cash loan will be repaid with fifteen monthly payments of US$400 ($514) starting on March 31, 2018 and a final bullet payment of US$3,000 ($3,514) on June 30, 2019. The non-interest bearing loan includes a gold coupon of 115 ounces per month over a nineteen month period from December 2017 to June 2019. The loan may be repaid early at any time subject to a 2% fee. The US$3,650 nickel prepayment loan will be repaid by the delivery of 372 tonnes of nickel over a five-month period commencing March 2018 and ending July 2018. The nickel prepayment loan can be repaid at any time without a penalty.

As part of the restructured debt facility, the Corporation also granted Auramet call options on 1,000 ounces of gold per month from September 2018 to August 2019 and 1,125 ounces for September 2019 at a AUD$1,750 ($1,690) per ounce strike price (note 12).

As described above, the Senior Secured Loan Facility consisted of four components being a US$9,000 cash loan, a gold coupon to deliver 2,185 ounces of gold, the issuance of 11,125 gold call options and a US$3,650 nickel prepayment loan. The US$9,000 cash loan was recorded as long-term debt and its fair value was determined using an effective interest rate of 16% for a value of CAD$9,665. The gold coupon was measured as the residual of the gross US$9,000 ($11,574) cash loan less the fair value assigned to the debt, ($9,665) and less the fair value of the gold options at inception of $995 for a net value of $914. The gold coupon is accounted for as deferred revenue (note 11). The gold options were valued using the Black-Scholes method (note 12) and periodic changes in the fair value of the options are recorded to other income. The nickel prepayment loan of US$3,540 ($4,552), net of fees totalling US$110 ($142), is accounted for as deferred revenue (note 11).

(iv) Other

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

On November 9, 2017, the Corporation entered into a US$675 ($868) promissory note with Auramet. The promissory note was payable on demand. The note was deemed settled as a part of the Senior Secured Loan Facility described in part (iii) above.

10. CONVERTIBLE DEBENTURES

The Corporation's convertible debentures are compound financial instruments, which are in their entirety a financial liability. The initial carrying amount for the debt host represents the residual amount of the proceeds after separating out the fair value of the derivatives which represents the value of the conversion options. Transaction costs are allocated to the host and will be accreted over the respective terms. The table below shows the change in the carrying value of the convertible debentures during the year ended December 31, 2017:

	Waterton (i)	**Pala September (ii)**	**Pala December (iii)**	**Total**
Balance as at December 31, 2016	$ -	$ -	$ -	$ -
Additions	13,492	4,934	7,683	26,109
Issue cost - cash	(317)	(147)	(210)	(674)
Issue cost - warrants	-	(332)	-	(332)
Repayments	-	(5,233)	-	(5,233)
Loss on debt restructuring	-	768	-	768
Change in fair value of derivative	436	(451)	842	827
Accretion expense	260	284	110	654
Change due to foreign exchange translation	(1,039)	177	(152)	(1,014)
Balance as at December 31, 2017	12,832	-	8,273	21,105
Less current portion	**-**	**-**	**3,011**	**3,011**
Non-current portion	**$ 12,832**	**$ -**	**$ 5,262**	**$ 18,094**

(i) Waterton

On June 7, 2017, the Corporation issued an unsecured convertible debenture in the amount of US$10,000 ($13,492) to Waterton (the "Waterton Debenture"). The Waterton Debenture bears interest at a rate of 10% per annum, payable quarterly, and has a four-year term. The debenture is convertible at the holder's option into common shares of the Corporation at any time prior to the close of business on the earlier of the maturity date and the business day immediately preceding the date fixed for redemption thereof, at the conversion price of US$0.1912 for one common share, up to a maximum of 75% of the principal amount.

The debenture is also convertible at the holder's option into units (a "Unit Conversion") of the Magneto JV. The valuation basis for any Unit Conversion would be the Corporation's 50% share of the Magneto JV plus certain completed investments. After receiving any notice of a Unit Conversion in excess of US$4,500, the Corporation would have the right to prepay such excess principal plus applicable pre-payment fees.

The following table summarizes the activity for the debenture for the year ended December 31, 2017:

	Waterton Debenture		
	Host	Derivative	Total
Balance as at December 31, 2016	$ -	$ -	$ -
Additions	11,608	1,884	13,492
Issue cost - cash	(317)	-	(317)
Change in fair value of derivative	-	436	436
Accretion expense	260	-	260
Change due to foreign exchange translation	(758)	(281)	(1,039)
Balance as at December 31, 2017	10,793	2,039	12,832
Less current portion	**-**	**-**	**-**
Non-current portion	**$ 10,793**	**$ 2,039**	**$ 12,832**

The Corporation valued the conversion right utilizing a binomial valuation model that determines future probable levels of its US dollar stock price based notably on the Corporation stock price's future expected volatility. Future expected volatility is estimated utilizing historical data over a time period equal to the residual maturity of the debentures. The valuation also incorporates the yield to maturity of the underlying debt (as if it were neither convertible nor redeemable) determined by calibrating the model's valuation to the debentures issue price. At each time step and stock price level, the valuation technique determines whether conversion by the holder and redemption by the Corporation is optimal. The risk-free rate underlying the valuation is based notably on Canadian overnight index swap rates and CAD/USD exchange rates. The table below summarizes the assumptions underlying the valuations on both the issue date and December 31, 2017:

	As At	
	June 7, 2017	December 31, 2017
Stock Price (in CAD)	$ 0.20	$ 0.18
CAD/USD Exchange Rate	$ 1.3509	$ 1.2571
Stock Price Volatility	50%	50%
Bond Yield	15.8%	15.8%
Risk Free Rate	2.4%	2.5%

(ii) Pala September

On September 19, 2017, the Corporation issued a convertible debenture in the amount of US$4,000 ($4,934) to Pala Investments Limited ("Pala") (the "Pala Debenture September"). The Pala Debenture September bear interest at a rate of 15% per annum, compounded quarterly, and payable at the end of the eighteen-month term. The debentures are convertible at the holder's option into common shares of the Corporation at any time prior to the close of business on the earlier of the maturity date and the business day immediately preceding the date fixed for redemption thereof, at the conversion price of $0.2537 for one common share. As part of the transaction, the Corporation issued five million warrants to Pala which are exercisable for three years at C$0.25 per share (note 12). As part of a debt restructuring on December 14, 2017, the Pala Debenture September was settled in full and the warrants issued were terminated (note 10(iii)). A loss of $768 was realized representing the difference between the value of the Pala Debenture December and the book value of Pala Debenture September on December 14, 2017. The following table summarizes the activity for the debenture for the year ended December 31, 2017:

	Pala Debenture September		
	Host	Derivative	Total
Balance as at December 31, 2016	$ -	$ -	$ -
Additions	4,255	679	4,934
Issue cost - cash	(147)	-	(147)
Issue cost - warrants	(332)	-	(332)
Settlement	(4,985)	(248)	(5,233)
Loss on debt restructuring	768	-	768
Change in fair value of derivative	-	(451)	(451)
Accretion expense	284	-	284
Change due to foreign exchange translation	157	20	177
Balance as at December 31, 2017	**$ -**	**$ -**	**$ -**

The Corporation measured the derivatives (conversion right and warrants) utilizing the Black-Scholes option valuation model. The model's volatility parameter is estimated utilizing historical data over a time period equal to the residual maturity of the debenture and warrants. The risk-free rates underlying the conversion right and the warrants valuations are based notably on Canadian overnight index swap rates and CAD/USD exchange rates. The table below summarizes the assumptions underlying the valuations on both the issue date and December 14, 2017:

	As At	
	September 19, 2017	December 14, 2017
Stock Price (in CAD)	$ 0.20	$ 0.17
CAD/USD Exchange Rate	$ 1.2292	$ 1.2797
Stock Price Volatility	50%	46%
Risk Free Rate	1.5%	1.3%

(iii) Pala December

On December 14, 2017, the Corporation issued a convertible debenture in the amount of US$6,000 ($7,683) to Pala (the “Pala Debenture December”). The Pala Debenture December bears interest at a rate of 14% per annum, compounded and payable monthly during the fifteen-month term. The Pala Debenture December is repayable in 15 equal monthly principal installments of US$200 ($256) beginning in January 2018, in either nickel tonnes or cash at Pala's election as well as a lump sum payment for the remaining US$3,000 ($3,842) in March 2019, also payable in either nickel tonnes or cash at Pala's election. The Pala Debenture December is secured by a second priority security interest over all SLM assets (subordinate to the Senior Secured Loan Facility in place with Auramet). If an event of default occurs including non-payment of principal or interest, failure to make any payment when it falls due on other debt exceeding $500, or a change of control, the interest rate increases to 20% and Pala can exercise an option to be paid the outstanding amount in cash or nickel tonnes. Under the terms of the debenture agreement, the five million share purchase warrants issued pursuant to Pala Debenture September were cancelled in return for a 2.25% royalty on future Beta Hunt nickel production commencing April 1, 2019. Of the US$6,000 proceeds, US$2,000 ($2,561) was received in cash, net of fees, and the remainder was used to settle the Pala Debenture September in full (note 10(ii)). A loss of $768 was realized on the restructuring of the Pala Debenture September (note 24). The following table summarizes the activity for the debenture for the year ended December 31, 2017:

	Pala Debenture December
Balance as at December 31, 2016	$ -
Additions	7,683
Issue cost - cash	(210)
Change in fair value of derivative	842
Accretion expense	110
Change due to foreign exchange translation	(152)
Balance as at December 31, 2017	8,273
Less current portion	**3,011**
Non-current portion	**$ 5,262**

The Corporation measured the nickel derivatives embedded in the fifteen-month payment portion of the debt utilizing the Black-Scholes option valuation model. The model's volatility parameter is derived from price quotes of similar options. The derivative embedded in the lump sum payment portion of the debt represents a compound option on both the price of nickel and the Corporation's stock price. It is evaluated utilizing a Monte Carlo technique that generates random paths for both prices and determines which of the nickel or equity option, if any, is optimal to exercise from the investor's point of view. Risk-free rates underlying the valuations are based notably on Canadian and US overnight index swap rates and CAD/USD exchange rates. The table below summarizes the assumptions underlying the valuations on both the issue date and December 31, 2017:

	As At	
	December 14, 2017	**December 31, 2017**
Stock Price (in CAD)	$ 0.17	$ 0.18
CAD/USD Exchange Rate	$ 1.2797	$ 1.2571
Stock Price Volatility	46%	46%
Nickel Price Volatility	32%	32%
CAD/USD Exchange Rate Volatility	8%	8%
Risk Free Rate	1.5%	1.7%

11. DEFERRED REVENUE

As at December 31, 2017 and December 31, 2016, the following contracts were outstanding. These contracts are excluded from the scope of IAS 39 and accounted for as executory contracts because they were entered into and continue to be held for the purpose of delivery in accordance with the Corporation’s expected production schedule:

As at December 31, 2017	Senior Gold Loan (i)	Senior Secured Loan Facility Gold (ii)	Senior Secured Loan Facility Nickel (ii)	Senior Copper Loan (iii)	Total
SLM					
1,479 ounces of gold	$2,504	-	-	-	$2,504
2,070 ounces of gold	-	$879	-	-	879
372 tonnes of nickel	-	-	$4,620	-	4,620
VMS					
2,100,000 pounds of copper	-	-	-	$5,585	5,585
	2,504	879	4,620	5,585	13,588
Current portion	2,504	587	4,620	5,585	13,296
Non-current portion	-	$292	-	-	$292

As at December 31, 2016	Senior Gold Loan Gold Sales (i)	Senior Gold Loan Working Capital (i)	Senior Copper Loan (iii)	Total
SLM				
16,800 ounces of gold	$18,521	-	-	$18,521
4,120 ounces of gold	-	5,728	-	5,728
VMS				
2,825,000 pounds of copper	-	-	8,433	8,433
	18,521	5,728	8,433	32,682
Current portion	6,790	5,728	8,433	20,951
Non-current portion	$11,731	-	-	$11,731

(i) Senior Secured Gold Loan

On October 3, 2016, the Corporation closed a US$16,500 ($22,155) Senior Secured Gold Loan and US$6,500 ($8,728) working capital facilities with Auramet. The Senior Secured Gold Loan was repayable by the physical delivery of 16,800 gold ounces over a thirty-month period commencing on February 28, 2017. The Corporation also granted call options to Auramet on 1,000 gold ounces per month, with a strike price of AU$1,900 per ounce and expiration dates from February 28, 2017 through September 30, 2018 (note 12). The US$6,500 working capital facilities are comprised of a US$5,500 ($7,385) in-process gold facility and a US$1,500 ($1,882) million in-process nickel facility. These facilities took into account time value and bore interest at a rate of LIBOR plus 4.5% per annum and formed part of agreements providing for the purchase by Auramet at market rates of all gold and nickel produced by the Beta Hunt mine during the term of the Senior Secured Gold Loan. The US$16,500 Senior Secured Gold Loan and the gold working capital facility were both classified as deferred revenue. The security granted to Auramet in connection with the Senior Secured Gold Loan included a pledge by RNC of its shares in SLM and its shares of VMS. As described in note 9(iii), on December 14, 2017, pursuant to a restructuring of debt, the Senior Secured Gold Loan was extinguished. At the time of the restructuring, the Corporation had a remaining obligation to sell 11,760 ounces of gold and call options on 9,000 ounces of gold. The obligation to sell 11,760 ounces of gold was deemed to be settled whereas the call options remain outstanding and are included in note 12.

(ii) Senior Secured Loan Facility

As described in note 9(iii), the Senior Secured Loan Facility with Auramet included an obligation to deliver nickel and gold. The nickel component is for a delivery of 372 tonnes over a five-month period commencing March 2018 and ending July 2018. The gold component is for a delivery of 2,185 ounces over a fifteen-month period commencing March 2018 and ending June 2019.

(iii) Senior Copper Loan

On December 19, 2016, the Corporation closed a US$6,500 ($8,728) Senior Secured Copper Loan and US$5,000 working capital facility with Auramet. The Senior Secured Copper Loan is repayable by the physical delivery of 2,825,000 pounds of copper over a twelve-month period commencing on January 31, 2017. The Corporation also granted call options to Auramet on 2,000,000 pounds of copper, with a strike price of US$3.30 per pound and expiration dates from September 29, 2017 through December 29, 2017 which have matured. The US$5,000 ($6,714) copper working capital facility takes into account time value and bears interest at a rate of LIBOR plus 4.5% per annum, and forms part of agreements providing for the purchase by Auramet at market rates of all VMS's share of the copper produced by the Reed mine during the term of the Senior Secured Copper Loan. The proceeds from these agreements were used to fully repay a loan from Hudbay. The US$6,500 Senior Secured Copper Loan was classified as deferred revenue. The security granted to Auramet in connection with the Senior Secured Copper Loan includes a pledge by RNC of its shares in VMS. The Senior Secured Copper Loan is repayable at any time without penalty.

During the year ended December 31, 2017, the Corporation received US$2,500 ($3,367) for the delivery of 1,125,000 pounds of copper under the Senior Secured Copper Loan. The arrangement is settled by seven monthly 75,000 pound copper deliveries from June 2017 to December 2017 and two 300,000 pound copper deliveries from January 2018 to February 2018. Pursuant to the copper loan increase, call options were issued to Auramet to fix the price of copper with a value at inception of $164.

During the year ended December 31, 2017, the Corporation received an additional US$3,310 ($4,298) for the delivery of 1,125,000 pounds of copper under its Senior Secured Copper Loan. The arrangement is settled by five monthly 300,000 pound copper deliveries from March 2018 to July 2018. Pursuant to the copper loan increase, call options were issued to Auramet to fix the price of copper with a value at inception of $213.

12. DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on the Corporation's specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in Level 2. As at December 31, 2017, all of the Corporation's derivative financial instruments have been classified as Level 2 financial instruments according to the Corporation's fair value hierarchy. The fair value of these instruments is determined using discounted future cash flows based on forward metals curves and, in the case of options, the Black-Scholes Method.

The Corporation did not apply hedge accounting on its outstanding derivatives. Therefore, changes in fair value are recorded in the consolidated statement of loss and comprehensive loss on a mark to market basis and recorded in financial assets and liabilities. For the years ended December 31, 2017 and 2016, the table below summarizes the movements in derivative assets (liabilities):

	Year ended December 31, 2017	Year ended December 31, 2016
Opening balance	**$1,669**	$-
Fair value at inception – copper options (note 11)	**(377)**	(159)
Fair value at inception – gold options (note 11)	**(995)**	(1,689)
Premiums on call options sold	**(539)**	-
Settlement of matured derivatives during the period	**(1,140)**	-
Change due to foreign exchange	**501**	-
Net change in fair value of derivative instruments	**(2,698)**	3,517
Balance, end of period	**($3,579)**	$1,669

The following table summarizes the outstanding derivative positions at December 31, 2017:

	Maturity			Balance Sheet Classification	
SLM	**2017**	**2018**	**Total**	**Current (Liabilities)**	**Non-Current (Liabilities)**
Gold call option sell contracts					
Ounces	13,000	9,025	**22,025**		
Average price per ounce (in AUD)	$1,854	$1,750	**$1,854**		
Fair value asset (liability) at December 31, 2017	($225)	($776)	**($1,001)**	($225)	($776)
Nickel call option sell contracts					
Metric tonnes	288	-	**288**		
Average price per tonne (in USD)	$11,500	-	**$11,500**		
Fair value asset (liability) at December 31, 2017	($560)	-	**($560)**	($560)	-
Gold forward sell contracts					
Ounces	16,382	-	**16,382**		
Average price per ounce (in AUD)	$1,654	-	**$1,654**		
Fair value asset (liability) at December 31, 2017	($418)	-	**($418)**	($418)	-
VMS					
Copper call option sell contracts					
Pounds	3,300,000	400,000	**3,700,000**		
Average price per pound (in USD)	$3.15	$2.95	**$3.13**		
Fair value asset (liability) at December 31, 2017	($895)	($222)	**($1,117)**	($895)	($222)
Copper forward sell contracts					
Pounds	800,000	-	**800,000**		
Average price per pound (in USD)	$2.80	-	**$2.80**		
Fair value asset (liability) at December 31, 2017	($483)	-	**($483)**	($483)	-
				($2,581)	**($998)**

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

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

13. SHARE CAPITAL

2017 Activity

On July 7, 2017, the Corporation closed a non-brokered private placement financing and issued 5,999,999 flow-through shares of the Corporation at a price of $0.20 per flow-through share for gross proceeds of $1,800. In connection with the July financing, the Corporation recorded a $600 flow-through share premium liability calculated as the difference between the share issuance price and the market price at the time of closing. Issue costs totalled $74.

On July 7, 2017, TNN (now Orford) issued 3,272,726 flow-through shares and 2,000,000 flow-through units consisting of one flow-through share and one warrant for a value of $1,627 and $1,544, respectively. The flow-through share financing was provided by the Corporation and the flow-through unit financing was provided by the non-controlling shareholder, decreasing the Corporation's interest by 0.9% to 67.1% and resulting in a net increase in non-controlling interest of $1,677.

On July 13, 2017, the Corporation issued a total of 23,431,019 shares at an issue price of $0.195 in exchange for tolling rights and the option to acquire the South Kalgoorlie Operations ("SKO") business from Westgold Resources Limited ("Westgold"). The value of the agreements totalling $4,850 was allocated to the tolling rights ($2,239) based on the fair value of the services and to the SKO purchase option ($2,611) based on the share price on the date the shares were issued of $0.195. Issue costs totalled $141. The tolling rights were included in amounts receivable and prepaid expenses (note 4) and are amortized over the twelve-month term of the agreement. The SKO option expired and was expensed during the third quarter (note 24).

2016 Activity

On May 26, 2016, the Corporation closed a bought deal financing (the "Offering") of 17,060,000 common shares at a price of $0.51 per common share, for aggregate proceeds of $8,701.

The Corporation also granted an overallotment option to the underwriters, at any time within 30 days of May 26, 2016, to purchase up to 15% additional shares at $0.51 per common share. On June 24, 2016 a portion of the overallotment option was exercised and 1,000,000 common shares were issued at a price of $0.51 per common share, for aggregate proceeds of $510.

In connection with the Offering, the Corporation granted the underwriters non-transferrable compensation warrants to acquire that number of shares equal to 3% of the total number of common shares sold pursuant to the Offering (including the overallotment option), exercisable at a price of $0.51 for a period of 24 months from the closing date. A total of 541,800 compensation warrants were issued including those for the overallotment.

Underwriter fees totalled $672 and cash expenses of the Offering were $505.

The fair value of the 541,800 compensation warrants issued was estimated at $91 using the Black–Scholes option pricing formula with the following assumptions: expected dividend yield 0%, share price $0.46, expected volatility 72%, risk free rate of return 0.6%, and expected maturity of two years.

On July 21, 2016, the Corporation closed a non-brokered private placement financing and issued 3,274,000 flow-through shares of the Corporation at a price of $0.51 per flow-through share for gross proceeds of $1,670.

In connection with the July financing, the Corporation recorded a $311 flow-through share premium liability calculated as the difference between the share issuance price and the market price at the time of closing. The Corporation granted the agent non-transferrable compensation warrants to acquire that number of shares equal to 3% of the total number of flow-through shares sold pursuant to the financing, exercisable at a price of $0.436 for a period of 24 months from the closing date. A total of 98,220 compensation warrants were issued. The cash expenses of the financing were $136.

The fair value of the 98,220 compensation options was estimated at $15 using the Binomial option pricing formula with the following assumptions: expected dividend yield nil, share price $0.415, expected volatility 71%, risk free rate of return 0.57%, and expected maturity of two years.

In connection with the July financing, TNN (now Orford) issued 3,267,973 common shares and 6,423,467 flow-through shares, for proceeds of $1,000 and $2,305 respectively. The common share financing was provided by the non-controlling shareholder and the flow-through financing was provided by the Corporation, reducing its interest by 0.3% to 68% and resulting in a net increase in non-controlling interest of $945.

On September 23, 2016, the Corporation closed a bought deal private placement financing of 27,059,500 units at a price of $0.34 per unit, for gross proceeds of $9,200. 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 $0.50 and entitles the holder thereof to acquire one common share of the Corporation on or before September 23, 2018. The fair value of the 13,529,750 warrants issued was estimated at $0.075 using the Black–Scholes option pricing formula with the following assumptions: expected dividend yield 0%, share price $0.309, expected volatility 73%, risk free rate of return 0.6%, and expected maturity of two years.

In connection with the September financing, the Corporation granted the underwriters non-transferrable compensation options to acquire that number of units equal to 3% of the total number of units sold pursuant to the financing, exercisable at a price of $0.34 for a period of 24 months from the closing date. Each unit purchased will consist of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable at a price of $0.50 and entitles the holder thereof to acquire one common share of the Corporation on or before September 23, 2018. A total of 811,785 compensation options were issued. The cash expenses of the financing were $672.

The fair value of the 811,785 compensation options was estimated at $142 using the Binomial option pricing formula with the following assumptions: expected dividend yield nil, share price $0.395, expected volatility 73%, risk free rate of return 0.57%, and expected maturity of two years.

14. WARRANTS AND COMPENSATION WARRANTS

The following tables reflects the continuity of warrants for the years ended December 31, 2017 and 2016 for the Corporation.

	Number of Warrants	Number of Compensation Warrants/Options	Weighted Average Exercise Price
Balance as at January 1, 2017	17,198,386	1,451,805	$0.49/$0.41
Granted (notes 9(i) and 10(ii))	10,932,461	-	$0.24/$0.00
Expired (note 10(ii))	(5,727,636)	-	$0.27/$0.00
Balance as at December 31, 2017	**22,403,211**	**1,451,805**	**$0.43/$0.41**

	Number of Warrants	Number of Compensation Warrants/Options	Weighted Average Exercise Price
Balance as at January 1, 2016	5,991,319	575,460	$0.72/$0.60
Exercised	(470,058)	-	$0.38/$0.00
Granted	16,470,750	1,451,805	$0.50/$0.41
Expired	(4,793,625)	(575,460)	$0.80/$0.60
Balance as at December 31, 2016	**17,198,386**	**1,451,805**	**$0.49/$0.41**

As at December 31, 2017, the remaining average contractual life of the outstanding warrants and compensation warrants was 1.0 years and 0.6 years respectively.

15. SHARE INCENTIVE PLANS

The Corporation's 2010 share incentive plan (the "**Plan**"), as amended and restated on May 18, 2016, provides for the granting of equity-based compensation securities, including options and awards for the purpose of advancing the interests of the Corporation through the motivation, attraction and retention of key officers, directors, employees and consultants of the Corporation. The Plan provides for the issuance of share options and other equity-based awards including share appreciation rights, restricted shares, restricted share units, deferred share units, performance shares and performance share units. The Plan provides that the maximum number of common shares issuable upon the exercise of share options and made available as other equity-based awards, in aggregate, shall not exceed 15% of the issued and outstanding common shares from time to time.

Share Purchase Options – Royal Nickel Corporation

At the time of grant or thereafter, the Compensation Committee (the "Committee") of the Board of Directors may determine when a share option will vest and become exercisable and may determine that the share option shall be exercisable in instalments on such terms as to vesting or otherwise as the Committee deems advisable subject to the rules of the Toronto Stock Exchange, if any. Unless otherwise determined by the Committee, share options will vest and become exercisable, as to one third of the share options granted, on each of the first, second and third anniversaries of the date of grant, provided that the participant is an eligible employee, eligible director, consultant or other participant at the time of vesting. Under the Plan, the expiry date of share options may not exceed ten years from the date of grant.

The following tables reflect the continuity of share options for the years ended December 31, 2017 and 2016:

	Number of Options	Weighted Average Exercise Price
Balance as at January 1, 2017	28,889,519	$0.41
Exercised	(20,000)	0.18
Expired	(2,158,990)	0.81
Balance as at December 31, 2017	**26,710,529**	**$0.37**

	Number of Options	Weighted Average Exercise Price
Balance as at January 1, 2016	14,342,852	$0.55
Granted	16,070,000	0.28
Exercised	(256,667)	0.34
Expired	(1,266,666)	0.37
Balance as at December 31, 2016	**28,889,519**	**$0.41**

As at December 31, 2017, 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
$0.18–$0.99	26,135,529	3.1	$0.34	23,078,862	3.0	$0.35
$1.00–$1.99	150,000	3.5	$1.14	150,000	3.5	$1.14
$2.00–$2.50	425,000	1.8	$2.19	425,000	1.8	$2.19
	26,710,529	**3.1**	**$0.37**	**23,653,862**	**2.9**	**$0.39**

Deferred Share Units

Under the Plan, a participant is only entitled to payment in respect of a deferred share unit when the participant ceases to be an employee or director of the Corporation or any affiliate thereof for any reason. Upon redemption of a vested unit, the participant has the option to receive (i) one common share of the Corporation or (ii) an amount in cash equal to the fair market value of a common share of the Corporation on the date of redemption. The expense is recorded in the statement of comprehensive loss in general and administrative expenses or capitalized to mineral property interests and credited to liabilities under deferred share units since the payment in cash or common shares is at the option of the participant.

During the year ended December 31, 2017, 1,097,343 (2016: 1,097,343) deferred share units were outstanding. During the year ended December 31, 2017, Nil (2016: nil) deferred share units were issued and nil (2016: nil) deferred share units were redeemed.

As at December 31, 2017, all 1,097,343 deferred share units were vested. The weighted average exercise price of the deferred share units is nil.

Restricted Share Units

Under the Plan, redemption of vested restricted share units shall take place no later than the third anniversary of the date of grant. The Corporation has granted the following two types of restricted share units: (i) cash settled units, and (ii) units settled in cash and/or shares at the option of the participant**.** Upon redemption of vested units, the participant will either receive cash equal to the multiple obtained if the number of vested restricted units is multiplied by the fair market value of a common share of the Corporation on the redemption date, or for restricted share units with an option, the participant may choose to receive (i) the number of underlying common shares of the Corporation or ii) a combination of common shares of the Corporation and cash. The expense for both types of restricted share units is recorded in the statement of comprehensive loss in general and administrative expenses or capitalized to mineral property interests, and credited to liabilities under restricted share units since some units will settle for cash only, while other units will settle for cash or common shares at the option of the participant.

During the year ended December 31, 2017, 2,814,306 (2016: 2,394,523) restricted share units were granted, all of which vested immediately pursuant to a directors' election to receive restricted share units in lieu of directors fees.

The following tables reflect the continuity of restricted share units for the years ended December 31, 2017 and 2016:

	Number of Restricted Share Units
Balance as at January 1, 2017	6,251,750
Granted	2,814,306
Expired	(491,041)
Balance as at December 31, 2017	**8,575,015**

	Number of Restricted Share Units
Balance as at January 1, 2016	4,282,225
Granted	2,394,523
Expired	(424,998)
Balance as at December 31, 2016	**6,251,750**

Included in the 8,575,015 restricted share units outstanding as at December 31, 2017, are 3,693,359 units that can only be settled for cash.

As at December 31, 2017, the weighted average remaining contractual life of the outstanding restricted share units was 1.6 years and all restricted share units were vested.

Share Appreciation Rights

Under the Plan, participants have the potential right to receive a cash payment on the redemption of a share appreciation right provided that such share appreciation right has vested. Such cash payment will be equal to the amount if any, by which the fair market value of a common share of the Corporation on the date of redemption exceeds the fair market value of a common share of the Corporation on the date of grant (the "**Base Price**"). The expense for share appreciation rights is recorded in the statement of comprehensive loss in general and administrative expenses or capitalized to mineral property interests, and credited to liabilities under share appreciation rights since these instruments will settle for cash only.

There was no activity in share appreciation rights during 2017 and 2016. As at December 31, 2017 and 2016, there were 906,000 share appreciation rights outstanding. The vesting requirements for the share appreciation rights outstanding as at December 31, 2017 are described below.

The share appreciation rights (the "Service Condition SARs") vest if the Committee passes a resolution approving the redemption of the Service Condition SARs having regard to the Corporation's financial condition, project status and overall market conditions ("Approval Condition"), provided that the number of Service Condition SARs to vest will be dependent upon the length of service of the participant as follows: one-third will not be dependent on the length of service and shall vest upon the Approval Condition being met, a further one-third will vest upon the Approval Condition being met, provided that the participant is still serving as a director or employee of the Corporation on the first anniversary of the date of grant, and the remaining one-third will vest upon the Approval Condition being met, provided that the participant is still serving as a director or employee of the Corporation on the second anniversary of the date of grant. Vested Service Condition SARs shall be redeemed on the redemption date specified by the Committee. If the Service Condition SARs have not become vested and been redeemed by the expiry date, such Service Condition SARs shall be automatically redeemed on the expiry date notwithstanding that the Approval Condition has not been met. The expiry date for 620,000 Service Condition SARs is the fifth anniversary of the date of grant, while the expiry date for the remaining 286,000 Service Condition SARs is the tenth anniversary of the date of grant.

The weighted average fair value of each share appreciation right outstanding at the end of the period, as estimated as at December 31, 2017, was $0.05 (2016: $0.12). This was calculated using the Black-Scholes option pricing model, using the following assumptions:

	Year ended December 31,	
	2017	2016
Share price	**$0.18**	$0.28
Base price	**$0.33**	$0.33
Risk free interest rate	**1.73%**	0.84%
Expected life	**2.0 years**	3.0 years
Expected volatility	**70%**	70%
Expected dividends	**nil**	nil

As at December 31, 2017, the weighted average remaining contractual life of the outstanding share appreciation rights is 2.0 years and nil share appreciation rights were vested.

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

	Year ended December 31,	
	2017	2016
Equity settled share-based payment transactions		
Share purchase options - RNC	**$541**	$1,339
Share purchase options – Orford	**292**	-
Total equity settled share-based payment transactions	**833**	1,339
Cash settled share-based payment transactions		
Restricted share units	**452**	128
Share appreciation rights	**14**	30
Mark-to-market adjustment for deferred and restricted share units and share appreciation rights	**(673)**	598
Total cash settled share-based payment transactions	**(207)**	756
Accrued share-based payment transactions	**46**	338
Total expense arising from share-based payment transactions	**$672**	$2,433

The carrying amounts of the liabilities relating to deferred and restricted share units and share appreciation rights as at December 31, 2017, are $192, $1,213 and $51 respectively (at December 31, 2016: $302, $1,404 and $108, respectively). Share appreciation rights are included in other non-current liabilities and provisions on the balance sheet.

16. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31, 2017	2016
Expense by nature		
Salaries, wages and benefits	**$1,839**	$1,282
Share-based payments	**672**	2,433
Professional fees	**1,871**	816
Consulting fees	**699**	818
Public company expenses	**320**	184
Office and general	**717**	1,091
Conference and travel	**213**	467
Investor relations	**480**	780
Business development	**234**	689
Acquisition costs	**-**	2,650
Depreciation and amortization	**569**	48
	$7,614	$11,258

17. LOSS PER SHARE

	Year ended December 31, 2017	2016
Loss attributable to RNC shareholders	**$(89,993)**	$(28,861)
Weighted average number of common shares	**291,114,710**	216,931,186
Loss per share attributable to RNC shareholders – basic and diluted	**$(0.31)**	$(0.13)

The effect of potential issuances of shares under stock options, warrants, deferred share units, convertible debenture and restricted share units would be anti-dilutive for the years ended December 31, 2017 and 2016, and accordingly, basic and diluted loss per share are the same.

18. RELATED PARTY TRANSACTIONS

The following table reflects the remuneration of key management, which consists of the Corporation's directors and executive officers, and other related party transactions:

Remuneration of key management	Year ended December 31, 2017	2016
Management salaries and benefits	**$1,778**	$2,207
Share-based payments – Management	**528**	333
Share-based payments – Directors	**391**	936
Mark-to-market adjustment for share-based payments	**(783)**	757
	$1,914	$4,233

Management salaries and benefits during the year ended December 31, 2016 were reduced by share-based payments made in lieu of a portion of salaries (Note 15).

Termination and Change of Control Provisions

Certain employment agreements between the executive team and the Corporation contain termination without cause and change of control provisions. Assuming that all members of the executive team had been terminated without cause on December 31, 2017, the total amounts payable to the executive team in respect of severance would have totaled $1,960 million. If a change of control had occurred on December 31, 2017, the total amounts payable to the executive team in respect of severance, if elected by each executive team member would have totaled $2,986 million. At December 31, 2017, there were no unvested share-based awards that are redeemable in cash.

19. ASSET RETIREMENT OBLIGATIONS

The asset retirement obligations represent the legal and contractual obligations associated with the eventual closure and reclamation of the Corporation's exploration camp at the West Raglan project, the Beta Hunt Mine and VMS's share of the Reed Mine estimated closure costs. The obligation consists of costs associated with reclamation, environmental monitoring, and the removal of tangible assets. As at December 31, 2017, 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 $2,340 (2016: $1,294), using an average discount rate of 1.5% (2016: 0.7%). During the year ended December 31, 2017, estimates of closure costs for SLM and VMS were reassessed and increased by $509 and $470, respectively. The VMS increase was expensed and the balance at December 31, 2017 was classified as current since mining operations of the Reed Mine are scheduled to cease before December 31, 2018. The settlements of these obligations are estimated to occur between 2018 and 2023.

	2017	2016
Balance as at January 1	**$1,223**	$488
Acquisition of SLM	**-**	348
Acquisition of VMS	**-**	386
Change in estimate, net	**509**	-
Change in discount rate	**-**	2
Change in foreign exchange	**(7)**	(9)
Expensed	**489**	8
Balance as at December 31	**$2,214**	$1,223
Current portion	**866**	-
Non-current portion	**$1,348**	$1,223

20. INCOME TAX

The major components of income tax expense are as follows:

	2017	2016
Tax expense applicable to:		
Current Taxes	**$-**	$-
Deferred Taxes		
Income taxes — origination and reversal of temporary differences	**(19,612)**	(3,061)
Mining taxes — origination and reversal of temporary differences	**(6,210)**	114
Relating to change in tax rates/imposition of new tax laws	**148**	47
Relating to differences between tax jurisdictions	**(511)**	-
Relating to unrecognized temporary differences	**20,956**	3,638
Relating to amortization of flow through share premium	**(905)**	(264)
Total tax expense (recovery)	**$(6,134)**	$474

A reconciliation between tax expense and the product of accounting loss multiplied by the Corporation's domestic tax rate is as follows:

	2017	2016
Statutory tax rate	**25.65%**	25.47%
Tax benefit of statutory rate	**$(24,931)**	$(7,168)
Expenses not deductible/(taxable) for income tax purposes	**2,185**	3,045
Tax rate differential	**(511)**	66
Tax effect of renounced flow through share expenditures	**1,158**	775
Amortization of flow-through share premiums	**(905)**	(264)
Quebec mining duties, net of tax	**(6,210)**	114
Impact of change in provincial deferred income tax rate	**148**	47
Utilization of previously unrecognized tax assets	**4,541**	-
Tax effect of unrecognized temporary difference and tax losses	**20,956**	3,637
Prior year adjustment	**(2,866)**	185
Non-deductible item	**224**	-
Other	**77**	37
Total tax expense (recovery)	**$(6,134)**	$474

The Corporation offsets tax assets and liabilities if and only if it has a legally enforceable right to set off the current tax assets and current tax liabilities or deferred tax assets and liabilities and they relate to taxes levied by the same tax authority.

The tax benefits of the following temporary differences have been recognized in the consolidated financial statements:

	Balance January 1, 2017	Recognized in Profit and Loss	Balance December 31, 2017
Deferred tax assets/(liabilities):			
Loss carry-forward	$11,336	$4,881	**$16,217**
RSU and share appreciation rights	65	(65)	**-**
Property, plant and equipment	(4,100)	2,991	**(1,109)**
Financing costs	4,798	(4,685)	**113**
Mining property interests	(24,983)	16,023	**(8,960)**
Long-term debt	-	(326)	**(326)**
Investment in Magneto JV	-	(13,888)	**(13,888)**
Other	15	129	**144**
Net deferred tax liabilities	**$(12,869)**	**$5,060**	**$(7,809)**

	Balance January 1, 2016	Recognized in Profit and Loss	Recognized in Acquisition	Balance December 31, 2016
Deferred tax assets/(liabilities):				
Loss carry-forward	$11,626	$(290)	$-	$11,336
RSU and share appreciation rights	65	-	-	65
Property, plant and equipment	(42)	(3,128)	(930)	(4,100)
Financing costs	183	4,615	-	4,798
Mining property interests	(23,049)	(1,934)	-	(24,983)
Other	15	-	-	15
Net deferred tax liabilities	$(11,202)	$(737)	$(930)	$(12,869)

The tax benefits of the following unused tax losses and deductible temporary differences have not been recognized in the consolidated financial statements:

	2017	2016
Tax loss carry-forwards		
Expire 2032–2035	**$131,526**	$46,495
Mineral properties	**$11,028**	$14,185

The Corporation is subject to federal income taxes, provincial income taxes, and provincial mining taxes. 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

Corporation has prepared its tax provision based on the interpretations of tax laws which it believes represent the probable outcome. 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.

21. FINANCIAL RISK – FACTORS

Financial Instruments

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

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Corporation's credit risk is primarily attributable to amounts receivable, cash and cash equivalents and derivatives with a fair value in the Corporation's favour. Amounts receivable mainly consists of trade accounts receivable from Auramet, 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 Auramet included in amounts receivable and in the form of favourable derivatives is minimal. The Corporation reduces its credit risk by diversifying its cash and cash equivalents investments with several major Canadian chartered banks rated "A" or higher.

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 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 December 31, 2017, the Corporation had cash and cash equivalents of $24,400, of which $20,904 is dedicated to the Magneto JV leaving a net total of $3,496 to settle current financial liabilities of $49,011. Most 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 the current portion of long-term debt (note 9), the current portion of convertible debentures (note 10), the current portion derivative financial liabilities (note 12), the current portion of asset retirement obligations (note 19) and the finance lease obligation (note 22). The Corporation regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. As at December 31, 2017, Management estimates that funds available will not be sufficient to meet the Corporation's obligations and expenditures through December 31, 2018 (Note 1).

As at December 31, 2017, the Corporation was in compliance with all of its debt covenants. In order to comply with these covenants in future periods, the Corporation will need to execute on its cash flow estimates and on management's plans for future actions. Management believes that the assumptions used by the Corporation in preparing its estimates are reasonable and plans for future actions are feasible. Failure to comply with these covenants in the future may result in an event of default. If such event of default is not cured or waived, the Corporation may suffer adverse effects on its operations, business or financial condition, including termination of the debt facilities and acceleration of debts. In such situation, the assets of the Corporation would not be sufficient to repay such indebtedness in full, and such default could result in secured creditors' realization of collateral.

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 December 31, 2017, the Corporation had $15,330 invested with various banks bearing interest at variable rates. Based on the balance as at December 31, 2017, a plus or minus 0.50 % change in the rates would affect net income by approximately $77 on an annual basis. The Corporation also has facilities at variable rates based on a spread over LIBOR. As of December 31, 2017, the Corporation had $544 of working capital facilities at variable rates. Sensitivity to a plus or minus 1% change in the rates would affect the reported annual interest expense by approximately $5.

Commodity Price Risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in commodity prices. The Corporation is exposed to fluctuations in commodity prices from its sale of metals. From time to time the Corporation may enter into commodity contracts to hedge the effects on revenues. Reference is made to note 12 for a summary of outstanding derivative positions in respect of the future sales. Reference is also made to note 11 for a summary of sales contracts used to lock in the price for a portion of the Corporation's future production of gold, nickel and copper.

Fair Value Risk

The carrying values of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and finance lease obligations approximate their fair values due to their relatively short periods to maturity. Derivative financial instruments are recorded at fair value at the end of each reporting period.

	As at December 31, 2017		As at December 31, 2016	
Other Financial Liabilities	**Carrying value**	**Fair Value**	Carrying value	Fair Value
Note Agreement (note 9) (level 2)	**$3,130**	**$3,450**	$2,991	$3,485
IQ Loan (note 9) (level 2)	**544**	**544**	-	-
Senior Secured Facility (note 9) (level 2)	**9,203**	**11,291**	-	-
Convertible Debentures (note 10) (level 3)	**21,105**	**24,312**	-	-

22. COMMITMENTS

The Corporation is committed to minimum amounts under operating lease agreements primarily for office and warehouse space. As at December 31, 2017, minimum commitments remaining under these leases were approximately $1,256 over the following years:

2018	**$771**
2019	**208**
2020	**108**
2021	**108**
2022	**61**
	1,256

Royalties

Existing royalty obligations at Beta Hunt are (i) Consolidated Minerals, 3% of payable nickel (at a nickel price under A$17,500/t) or 5% (at a nickel price of A$17,500 or greater) until total royalty payments reach A$16 million; (ii) Western Australian state government, 2.5% of recovered gold and nickel; (iii) Maverix Metals Inc., 1.5% of payable nickel less allowable deductions, 6% of recovered gold and 1.5% of recovered gold less allowable deductions; and (iv) Pala, 2.25% royalty on future Beta Hunt nickel production commencing April 1, 2019.

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

23. CONTINGENT LIABILITY

On April 27, 2012, a statement of claim without specified damages was filed against VMS by W. Bruce Dunlop Limited regarding the Reed deposit. Given the facts and circumstances, while the outcome cannot be predicted with certainty, it is Management's opinion that the outcome will not have a material adverse effect on the Corporation's financial statements, and as such, no provision has been recognized as at December 31, 2017 for this matter.

24. OTHER EXPENSES (INCOME), NET

	Year ended December 31, 2017	2016
Royal Nickel Corporation		
Share of gain (loss) of associates	**$24**	$(129)
Gain on dilution of associate	**-**	(83)
Loss on expired SKO option (note 13)	**2,611**	-
Accretion expense	**1,697**	-
Gain on sale of mineral property interest	**(100)**	-
Gain on deemed disposition of associate	**-**	(71)
Loss on restructuring of convertible debenture (note 10)	**768**	-
Unrealized (gain) loss on other investment	**60**	(110)
Change in fair value – embedded derivative (note 10)	**827**	-
Change in fair value – derivative financial instruments	**-**	410
Salt Lake Mining Pty Ltd.		
Finance costs	**788**	981
Loss on settlement of derivative financial instruments	**2,072**	-
Change in fair value – derivative financial instruments	**343**	(4,048)
Loss on restructuring of debt facilities (note 9)	**6,848**	-
Change in fair value – senior secured facility	**-**	4,111
Accretion – senior secured facility	**-**	1,049
VMS Ventures Inc.		
Change in fair value – derivative financial instruments	**1,840**	270
Accretion – contribution loan	**-**	1,121
Other		
Finance and other expense (income)	**248**	(71)
Other expenses	**878**	883
Foreign exchange loss (gain)	**361**	535
Gain on sale of property, plant and equipment	**(14)**	(6)
	$19,251	$4,842

25. SUPPLEMENTAL CASH FLOW INFORMATION

Other expense (income)

	Year ended December 31,	
	2017	2016
Share of loss (gain) of associates	**$24**	$(135)
Gain on dilution of associate	**-**	(83)
Gain on deemed disposition of associate	**-**	(64)
Derivative financial instruments	**4,703**	(3,517)
Asset retirement obligation	**489**	10
Unrealized loss (gain) on other investment	**40**	(110)
Accretion – long-term debt	**1,697**	2,302
Loss on retired purchase option	**2,611**	-
Losses on debt restructurings	**7,616**	-
Change in fair value – senior secured facility	**-**	4,111
	$17,180	$2,514

Other supplemental information

	Year ended December 31,	
	2017	2016
Interest received	**$844**	$-
Interest paid	**3,884**	3,726
Share-based payments in mineral property interests	**69**	344
Depreciation of property, plant and equipment in mineral property interests	**92**	174
Mineral property interests in accounts payable and accrued liabilities	**383**	88
Property, plant and equipment in accounts payable and accrued liabilities	**2,556**	-

26. SEGMENTED INFORMATION

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

Year ended December 31, 2017

	Magneto JV Canada	Beta Hunt Gold Mine Australia	Beta Hunt Nickel Mine Australia	Reed Mine Canada	Orford Canada	Corporate and other exploration Canada	Total
Revenue	$-	$34,987	$6,016	$32,073	$-	$-	$73,076
Production and toll-processing costs	-	36,525	4,210	21,677	-	-	62,412
Royalty expense	-	3,737	336	-	-	-	4,073
Depreciation and amortization	-	5,825	1,097	10,593	-	-	17,515
General and administration	73	222	447	593	1,340	4,939	7,614
Impairment charge (notes 7 and 8)	-	53,643	5,056	1,923	-	(1,216)	59,406
Operating loss	$(73)	$(64,965)	$(5,130)	$(2,713)	$(1,340)	$(3,723)	$(77,944)
Property, plant and equipment	$224	$11,206	$4,988	$5,986	$289	$816	$23,509
Mineral property interest	30,990	-	-	-	17,966	-	48,956
Total assets	52,448	20,799	4,988	5,995	22,150	2,607	108,987

Year ended December 31, 2016

	Dumont Canada	Beta Hunt Nickel Mine Australia	Reed Mine Canada	Orford Canada	Corporate and other exploration Canada	Total
Revenue	$-	$10,004	$22,677	$-	$-	$32,681
Production and toll-processing costs	-	6,504	13,715	-	-	$20,219
Royalty expense	-	905	-	-	-	905
Depreciation and amortization	-	197	5,958	-	-	6,155
General and administration	148	779	240	231	9,860	11,258
Impairment charge (note 6)	5,042	-	4,494	-	7,909	17,445
Operating (loss) income	$(5,190)	$1,619	$(1,730)	$(231)	$(17,769)	$(23,301)
Property, plant and equipment	$530	$7,202	$16,212	$350	$41,675	$65,969
Mineral property interest	58,000	-	1,923	12,963	-	72,886
Total assets	58,530	7,202	9,609	14,347	69,604	159,292

Refer to note 7 for the information with respect to the Beta Hunt Gold Mine that commenced commercial production on July 1, 2017.

27. CAPITAL MANAGEMENT

The capital of the Corporation consists of items included in RNC shareholder's equity of $982 as at December 31, 2017 (2016: $83,966). Some of the properties in which the Corporation currently has an interest are in the exploration and evaluation stage. Profits from operating mines are not sufficient to finance exploration and evaluation activities. As such, the Corporation is dependent on external financing to fund its activities. In order to carry out the planned exploration and evaluation program, complete acquisitions and pay for administrative costs, the Corporation will spend its existing working capital and raise additional amounts when economic conditions permit it to do so.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital within current economic conditions and manages its capital with the following objectives by:

(i) minimizing discretionary disbursements;

(ii) reducing or eliminating exploration and evaluation expenditures which are of limited strategic value; and

(iii) exploring alternate sources of liquidity with an objective to minimize cost of capital.

In light of the above, the Corporation will continue to assess new properties and/or targets and seek to acquire an interest in additional properties if it believes there is sufficient potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is appropriate.

The Corporation is not subject to externally imposed capital requirements. Changes in capital are described in the consolidated statement of changes in equity.

28. SUBSEQUENT EVENTS

On January 3, 2018, the Corporation issued 29,750,312 common shares at a price of $0.16 per common share for proceeds of $4,760 which was used to settle US$3,700 (C$4,642) amounts owing to Auramet in respect of financing (notes 4 and 9(iii)).

On January 3, 2018, the Corporation issued 5,781,250 common shares at a price of $0.16 per common share for proceeds of $925.

In the period January 17, 2018 to January 19, 2018, the Corporation closed a non-brokered private placement financing and issued 10,000,000 common shares at a price of $0.16 per common share for proceeds of $1,600.

On February 12, 2018, the Corporation executed a note agreement with Magneto JV and an Amending Agreement to the Waterton Debenture (note 10(i)) and received proceeds of US$3,000 ($3,764). These funds were paid to RNC out of cash held by the Magneto JV (note 8). The note is repayable May 13, 2018. In the event the note is not repaid by that date (i) under the Amending Agreement certain additional conversion rights under the Waterton Debenture will become effective in favour of Waterton, and (ii) such US$3,000 ($3,764) will be deemed to have been repaid in full.

On March 28, 2018, the Corporation signed and closed an extension of the existing Copper Prepayment Agreement with Auramet. Auramet agreed to extend the current copper prepayment arrangements through an additional US$1,925 ($2,479) advance in exchange for the delivery of 700,000 pounds of copper. The delivery of the copper will be 50,000 pounds in July 2018, 200,000 pounds in August 2018 and three monthly deliveries from September to November 2018 of 150,000 pounds each.