



ROYAL NICKEL CORPORATION
(Doing business as RNC Minerals)

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended September 30, 2019 and 2018
(in millions of Canadian dollars)



Royal Nickel Corporation

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Royal Nickel Corporation

Interim Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars)
(Unaudited)

As at	September 30, 2019 \$	December 31, 2018 \$
ASSETS		
Current assets		
Cash and cash equivalents	24,771	1,340
Marketable securities	191	-
Amounts receivable and prepaid expenses (note 4)	6,708	3,110
Inventories (note 5)	20,649	6,481
Assets held for sale	26	26
	52,345	10,957
Non-current assets		
Investment in associates (note 6)	22,142	22,477
Property, plant and equipment (note 7)	77,755	24,530
Mineral property interest (note 8)	13,926	-
Other non-current assets	54	48
Total assets	166,222	58,012
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 4)	22,629	14,159
Share incentive plans	2,478	5,205
Current portion of long-term debt (note 9)	10,120	4,166
Contract liabilities (note 10)	-	4,904
Current portion of derivative financial liabilities (note 11)	4,419	1,131
Asset retirement obligations	98	92
Leases	447	292
	40,191	29,949
Non-current liabilities		
Asset retirement obligations	20,574	845
Long-term debt (note 9)	24,117	324
Leases	802	-
Deferred tax liability	383	-
Other non-current liabilities and provisions	645	773
Total liabilities	86,712	31,891
EQUITY		
Share capital	263,004	196,094
Contributed surplus	30,167	28,709
Accumulated other comprehensive income	6,627	1,863
Deficit	(220,288)	(200,545)
Total equity	79,510	26,121
Total liabilities and equity	166,222	58,012

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

Going concern (note 1)



Royal Nickel Corporation

Interim Consolidated Statements of Comprehensive Loss

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

(Unaudited)

For the periods ended September 30,	Three months ended,		Nine months ended,	
	2019 \$	2018 \$	2019 \$	2018 \$
Revenue	43,092	43,397	71,204	96,694
Cost of operations:				
Production and processing costs	26,670	29,060	51,049	73,305
Royalty expense	3,321	4,282	5,869	7,899
General and administrative: share-based payments (note 13)	(1,344)	8,862	1,123	9,354
General and administrative: other (note 13)	3,258	1,304	9,688	4,108
Depreciation and amortization	1,985	538	3,534	7,217
Operating earnings (loss)	9,202	(649)	(59)	(5,189)
Other expenses, net (note 16)	(9,636)	(6,715)	(19,737)	(15,484)
Loss before income tax	(434)	(7,364)	(19,796)	(20,673)
Income tax recovery (expense)	179	(146)	75	(517)
Net loss for the period	(255)	(7,510)	(19,721)	(21,190)
<i>Attributable to:</i>				
<i>RNC shareholders</i>	(255)	(7,510)	(19,721)	(20,939)
<i>Non-controlling interests</i>	-	-	-	(251)
Other comprehensive loss for the period:				
Currency translation adjustments	(1,467)	(3,307)	(4,764)	(3,955)
Comprehensive loss for the period	(1,722)	(10,817)	(24,485)	(25,145)
<i>Attributable to:</i>				
<i>RNC shareholders</i>	(1,722)	(10,817)	(24,485)	(24,894)
<i>Non-controlling interests</i>	-	-	-	(251)
Loss per share - basic and diluted	(0.00)	(0.02)	(0.04)	(0.06)

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



Royal Nickel Corporation

Interim Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars)

(Unaudited)

For the periods ended September 30,	Three months ended		Nine months ended	
	2019 \$	2018 \$	2019 \$	2018 \$
Cash flow provided by (used in)				
OPERATING ACTIVITIES				
Net loss for the year	(255)	(7,510)	(19,721)	(21,190)
Net change in contract liabilities	(2,443)	(10,069)	(4,904)	(5,913)
Items not involving cash:				
Depreciation and amortization	2,050	477	3,695	7,371
Deferred income tax recovery	(179)	(5,173)	(179)	(5,102)
Other expenses (note 17)	1,345	6,700	4,508	5,343
Shares issued for consulting services	77	215	326	754
Share-based payments	(2,354)	8,862	(1,496)	9,354
Loss on settlement of debt	-	173	-	173
Foreign exchange loss	3,119	2,603	7,774	5,365
	1,360	(3,722)	(9,997)	(3,845)
Changes in working capital				
Amounts receivable and prepaid expenses	179	1,984	(3,256)	753
Inventories	1,951	4,666	(209)	261
Accounts payable and accrued liabilities	(1,419)	440	3,685	(6,761)
	2,071	3,368	(9,777)	(9,592)
INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	(2,409)	(291)	(11,261)	(605)
Expenditures on mineral property interests	(1,812)	(18)	(2,517)	(2,223)
Cash given up on deconsolidation	-	(5,974)	-	(5,974)
Acquisition of HGO, net of cash acquired	-	-	(21,597)	73
	(4,221)	(6,283)	(35,375)	(8,729)
FINANCING ACTIVITIES				
Issuance of shares, net of costs	17,452	-	36,419	1,600
Issuance of debt, net of costs	(50)	-	36,692	-
Repayments of debt	(30)	(13,349)	(6,649)	(17,379)
Private placement - Orford	-	-	-	483
Proceeds from exercise of options and warrants	824	9,913	2,537	10,114
Payments on leases (2018: finance leases)	(119)	48	(416)	(216)
	18,077	(3,388)	68,583	(5,398)
Change in cash and cash equivalents	15,927	(6,303)	23,431	(23,719)
Cash and cash equivalents, beginning of period	8,844	6,984	1,340	24,400
Cash and cash equivalents, end of period	24,771	681	24,771	681
Components of cash and cash equivalents:				
Cash	24,663	573	24,663	573
Cash equivalents	108	108	108	108
	24,771	681	24,771	681

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



Royal Nickel Corporation

Interim Consolidated Statements of Changes in Equity

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

	Share capital		Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Equity attributable to RNC shareholders \$	Non-controlling interests \$	Total equity \$
	Number	\$						
Balance as at December 31, 2018 as reported	446,312,092	196,094	28,709	1,863	(200,545)	26,121	-	26,121
Adjustment for IFRS 16 adoption (note 2)	-	-	-	-	(22)	(22)	-	(22)
Balance as at January 1, 2019 as adjusted	446,312,092	196,094	28,709	1,863	(200,567)	26,099	-	26,099
Shares issued for consulting services	717,172	326	-	-	-	326	-	326
Shares issued for debt issue costs (note 9)	1,464,436	700	-	-	-	700	-	700
Bought deal and overallocation – January 2019 (note 12)	13,370,165	6,150	-	-	-	6,150	-	6,150
Private placement - January 2019 (note 12)	6,521,000	3,000	-	-	-	3,000	-	3,000
Private placement - April 2019 (note 12)	24,490,000	12,000	-	-	-	12,000	-	12,000
Private placement - July 2019	300,000	174	-	-	-	174	-	174
Bought deal and overallocation – September 2019 (note 12)	46,156,000	17,077	1,385	-	-	18,462	-	18,462
HGO acquisition - purchase option (notes 3 and 12)	7,104,655	3,815	-	-	-	3,815	-	3,815
HGO acquisition - share issue (notes 3 and 12)	49,811,364	23,038	-	-	-	23,038	-	23,038
Settlement of RSUs and DSUs	1,424,054	617	-	-	-	617	-	617
Exercise of warrants	667,279	516	(199)	-	-	317	-	317
Exercise of stock options	8,181,663	3,417	(1,197)	-	-	2,220	-	2,220
Issue costs	-	(3,123)	(70)	-	-	(3,193)	-	(3,193)
Issue costs - warrants	-	(797)	797	-	-	-	-	-
Share-based payments	-	-	742	-	-	742	-	742
Loss for the period	-	-	-	-	(19,721)	(19,721)	-	(19,721)
Other comprehensive income	-	-	-	4,764	-	4,764	-	4,764
Balance as at September 30, 2019	606,519,880	263,004	30,167	6,627	(220,288)	79,510	-	79,510

	Share capital		Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Equity attributable to RNC shareholders \$	Non-controlling interests \$	Total equity \$
	Number	\$						
Balance as at January 1, 2018	307,906,648	164,158	28,868	227	(192,271)	982	9,932	10,914
Shares issued for consulting services	3,680,276	754	-	-	-	754	-	754
Shares issued in settlement of debt financing	44,300,701	7,395	-	-	-	7,395	-	7,395
Private placement – common shares	10,400,000	1,712	-	-	-	1,712	-	1,712
Shares issued in settlement of accounts payable	46,266,704	6,685	-	-	-	6,685	-	6,685
Private placement - Orford	-	-	-	-	-	-	1,195	1,195
Settlement of RSUs and DSUs	1,946,013	633	-	-	-	633	-	633
Exercise of warrants	20,839,887	8,710	-	-	-	8,710	-	8,710
Exercise of stock options	5,232,669	1,404	-	-	-	1,404	-	1,404
Change in minority interest	-	-	-	-	(129)	(129)	(10,876)	(11,005)
Share-based payments	-	-	1,411	-	-	1,411	-	1,411
Loss for the period	-	-	-	-	(20,939)	(20,939)	(251)	(21,190)
Other comprehensive loss	-	-	-	3,955	-	3,955	-	3,955
Balance as at September 30, 2018	440,572,898	191,451	30,279	4,182	(213,339)	12,573	-	12,573

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



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Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2019 and 2018
(Expressed in thousands of Canadian dollars, unless otherwise indicated)

Notes to Financial Statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Royal Nickel Corporation (“**RNC**”, “**RNC Minerals**” or the “**Corporation**”) is a company domiciled in Canada and was incorporated on December 13, 2006, under the *Canada Business Corporations Act*. The Corporation’s shares are publicly traded on the Toronto Stock Exchange (TSX: RNX). The Corporation’s registered office is located at 141 Adelaide Street West, Suite 1608 in Toronto, Ontario, Canada.

The unaudited condensed interim consolidated financial statements of the Corporation as at and for the three-month and nine-month periods ended September 30, 2019 comprise RNC and its subsidiaries, Salt Lake Mining Pty Ltd. (“**SLM**”), Higginsville Gold Operation (“**HGO**”) and VMS Ventures Inc. (“**VMS**”). Collectively, these entities are referred to as the “**Corporation**”. The Corporation accounts for its investments in Magneto Investments Limited Partnership (“**Magneto JV**” or “**Dumont JV**”), Orford Mining Corporation (“**Orford**”) and Sudbury Platinum Corporation (“**SPC**”) using the equity method at their respective ownership interests.

RNC is a multi-asset mineral resource company. The main assets are: 1) its 100% interest in the Beta Hunt Mine (“**Beta Hunt**”), a gold producing operation located in Western Australia which is held through SLM; and 2) its 100% interest in the HGO toll processing and gold mining operation which is also located in Western Australia (note 3). RNC also has a 28% interest in the Dumont JV which owns the Dumont Nickel-Cobalt Project (“**Dumont**”), strategically located in the established Abitibi mining camp, 25 kilometres northwest of Amos, Quebec. The Dumont project contains undeveloped nickel and cobalt reserves. RNC acts as manager of this project on behalf of the Dumont JV. The Corporation has a 24% equity interest in Orford which holds the Qiqavik and West Raglan exploration projects in Nunavik. The Corporation also owns a 100% interest in VMS, which formerly owned 27% of the Reed Mine, located in Manitoba.

The accompanying unaudited condensed interim consolidated financial statements have been prepared in accordance with 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 considers all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

As at September 30, 2019, the Corporation had positive working capital of \$12.2 million, an accumulated deficit of \$220.3 million and had a net loss of \$19.7 million for the nine-month period then ended. Working capital included cash and cash equivalents of \$24.8 million. 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.



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The Corporation's ability to continue future operations and fund its operations and successfully operate its Beta Hunt Mine and Higginsville operations 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 market 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 unaudited condensed interim consolidated financial statements.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Statement of Compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended December 31, 2018.

The Corporation's presentation currency is Canadian dollars.

The unaudited condensed interim consolidated financial statements were authorized for publication by the Board of Directors on November 6, 2019.

(b) Basis of preparation

The accounting policies followed in these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Corporation's audited annual consolidated financial statements for the year ended December 31, 2018, except as described below.

(c) New accounting standard adopted in 2019

Overview

On January 1, 2019, the Corporation adopted IFRS 16, *Leases*. This new standard replaced IAS 17, *Leases*, and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees: leases of "low-value" assets; and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change



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in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. IFRS 16 also requires more extensive disclosures than under IAS 17.

New accounting policy

The revised accounting policy for leases is as follows:

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease by determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A right-of-use asset and lease liability is recognized at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, including periods covered by an option to extend the lease if the Corporation is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments remaining to be paid at the commencement date. The lease payments are discounted using the implicit interest rate in the lease. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability. If the rate cannot be readily determined, the Corporation's incremental rate of borrowing is used. The lease liability is subsequently measured at amortized cost using the effective interest method whereby the balance is increased by interest expense and decreased by lease payments. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option.

The Corporation presents right-of-use assets within property, plant and equipment and lease liabilities separately in the interim consolidated statement of financial position.

The Corporation has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of twelve months or less and leases of low-value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Adoption

On January 1, 2019, the Corporation adopted IFRS 16 using the simplified transition approach, which means it applied the standard from January 1, 2019. The impacts of adoption on January 1, 2019 was as follows:

- Increased property, plant and equipment by \$0.7 million;
- Increased lease liabilities by \$0.7 million; and
- Increased deficit by \$0.0 million.



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The following table provides a reconciliation between operating lease commitments as at December 31, 2018 applying IAS 17 and the lease liabilities recognized as at January 1, 2019, applying IFRS 16:

Operating lease commitments as per IAS 17 as at December 31, 2018	\$ 1,140
Adjustment to discount using the Corporation's incremental borrowing rate	(178)
Lease which was committed in 2018 and commenced in 2019	(744)
Exemption for short-term and low-value leases	(59)
Extension options reasonably certain to be exercised	305
Finance leases recognized on IAS 17	292
Lease liability as at January 1, 2019	\$ 756

Comparative figures were not restated. Right-of-use assets for property leases were measured on the transition date as if the new standard had been applied since the respective leases' commencement date but using the Corporation's incremental borrowing rate on January 1, 2019 of 10%. All other right-of-use assets were measured at the amount of the lease liability on adoption.

(d) Change in accounting estimate

Pursuant to the acquisition of HGO as described in Note 3, the Corporation reviewed its accounting policies and determined that there was a change in the pattern of consumption for its property, plant and equipment. The Corporation's assessment was that, for most asset categories, the straight line method of depreciation would be more reflective of the consumption than the declining balance method that was previously used. For mining operations, the Corporation will continue to use the units of production method. Furthermore, a new asset category was introduced being the processing plant at HGO which is depreciated using the units of production method. The change will be accounted for prospectively from July 1, 2019.

The revised accounting policy for Property, plant and equipment is as follows:

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:



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Detail	Years	Method
Land	Nil	none
Mining properties		Units of production
Processing plant		Units of production
Building	15 to 20	Straight line
Vehicles	5 to 20	Straight line
Camp, furniture and equipment	5 to 20	Straight line
Computer equipment	3 to 5	Straight line

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 PPE. 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 PPE and depreciated over the underlying property's estimated recoverable ore on the basis of the related area of interest.

The processing plant, 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 straight line method. The depreciation expense remains capitalized for mining assets not in commercial production and will be recognized in the consolidated statement of comprehensive loss gradually as the mining properties are put into commercial production.

At our underground mines, the Corporation incurs 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 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.

3. HGO ACQUISITION

On June 10, 2019, the Corporation acquired 100% of the shares of HGO from Westgold Resources Limited (“**Westgold**”). The acquisition provides the Corporation with additional production, cash-flow and an ore



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processing facility. Since the date of acquisition of control, the results from operations are consolidated in the statement of comprehensive loss.

In accordance with IFRS 3, *Business Combinations*, a business combination is a transaction in which an acquirer obtains control of a business which is defined as an integrated set of activities and assets that is capable of being conducted and managed to provide a return to investors. For an integrated set of activities and assets to be considered a business, the set needs to contain inputs and processes and have the ability to generate outputs. In the opinion of management, the acquisition of HGO meets the definition of a business combination and as such has accounted for it in accordance with this standard.

The net purchase price was \$48.9 million. Prior to the acquisition date, the Corporation had entered into a non-refundable purchase option upon the issuance of 7.1 million shares which was initially valued at \$3.8 million (AUD \$4.0 million) on March 26, 2019. The option provided the Corporation with an exclusive period of time to perform due diligence. Upon completion of due diligence, the Corporation exercised the purchase option at which time the option was valued at \$3.7 million (AUD \$4.0 million). Upon closing, the Corporation issued an additional 49.8 million shares to Westgold valued at \$23.0 million and paid cash of \$22.2 million, net of certain employee obligations and a working capital adjustment. The Corporation discounted the share consideration by 7.5% due to a holding period restriction on the shares. The table below summarizes the net purchase price.

Purchase price

Cash	\$ 23,098
Purchase option	3,695
Share issue costs	62
Common shares issued (note 12)	23,038
Employee obligations assumed	(850)
Working capital adjustments	(139)
Purchase consideration	\$ 48,904

The total purchase price was preliminarily allocated to the acquired assets and liabilities based on their relative fair values at the closing date of the transaction. The final determination of the fair value allocation will be completed after asset and liability valuations are finalized within one year of the acquisition date. The fair value was primarily allocated between the property, plant and equipment, mineral property interests and ore processing facilities based on discounted cash flows over the projection period using expected future cash flows. Expected future cash flows are based on estimates of future production and commodity prices, operating costs and forecasted capital expenditures based on the respective life of the facilities and mine plans as at the acquisition date. Below is a summary of the acquired assets and liabilities at their respective fair values.



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Fair value of net assets acquired	Value
Cash and cash equivalents	\$ 574
Amounts receivable	467
Inventories	13,959
Property, plant and equipment	46,377
Mineral property interests	15,008
Amounts payable	(6,327)
Asset retirement obligation	(20,571)
Deferred tax liability	(579)
Other non-current liabilities and provisions	(4)
Purchase consideration	\$ 48,904

Acquisition costs of \$2.9 million were incurred in connection with the acquisition of HGO and were included in general and administrative expenses. The Corporation's consolidated financial statements include \$21.8 million in revenues and net earnings of \$2.8 million from HGO for the period from June 10, 2019 to September 30, 2019.

If the transaction had been completed on January 1, 2019, HGO would have contributed additional revenues of \$38.6 million, for the period of January 1, 2019 to June 9, 2019 and additional net loss of \$4.6 million from January 1, 2019 to June 9, 2019.

4. AMOUNTS RECEIVABLE AND PAYABLE

Amounts receivable and prepaid expenses consist of the following:

As at	September 30, 2019	December 31, 2018
Trade accounts receivable	\$904	\$1,472
Deposits	4	77
Prepaid expenses	1,308	1,473
Commodity taxes	4,492	88
	\$6,708	\$3,110

Accounts payable and accrued liabilities consist of the following:

As at	September 30, 2019	December 31, 2018
Trade accounts payable	\$12,550	\$4,747
Accrued liabilities	10,079	9,412
	\$22,629	\$14,159



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5. INVENTORIES

Inventories consist of the following:

As at	September 30, 2019	December 31, 2018
Coarse gold, gold ore and gold in process	\$16,126 ¹	\$3,974
Specimen stones	1,405	2,341
Stores and spares	3,091	127
Fuel	27	39
	\$20,649	\$6,481

¹ As at September 30, 2019, coarse gold, gold ore and gold in process comprises 24,724 ounces (December 31, 2018 – 6,806 ounces). The Corporation's high-grade coarse gold discovery of specimen stones from September 2018 comprises 2,968 ounces (December 31, 2018 – 4,944 ounces). Total number of ounces held at September 30, 2019 was 28,799 (December 31, 2018 – 11,750).

6. INVESTMENT IN ASSOCIATES

The following table reflects the continuity of the Corporation's investments in associates:

	SPC	Orford	Dumont JV	Total
Balance as at January 1, 2019	\$995	\$3,329	\$18,153	\$22,477
Acquisition	-	219	-	219
Share of loss and comprehensive loss	(51)	(123)	(314)	(488)
Loss on dilution of associate	-	(66)	-	(66)
Balance as at September 30, 2019	\$944	\$3,359	\$17,839	\$22,142

During the nine months ended September 30, 2019, the Corporation's ownership interest in Orford was diluted to 24% (December 31, 2018 – 33%).



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7. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Vehicles	Camp, Furniture & Equipment	Beta Hunt Mine	Equipment	Mine and Mill Facilities	Total
As at January 1, 2019, as reported	\$10	\$928	\$591	\$17,160	\$5,682	\$159	\$24,530
IFRS 16 transition adjustment	307	-	11	-	274	138	730
As at January 1, 2019, as restated	317	928	602	17,160	5,956	297	25,260
Acquisition of HGO (note 3)	9,382	693	3,607	-	1,522	31,173	46,377
Additions	748	30	35	8,400	1,003	3,099	13,315
Disposals	(9)	-	-	-	(204)	-	(213)
Foreign exchange	(300)	(85)	(151)	(1,358)	(452)	(949)	(3,295)
Depreciation for the period	(299)	(116)	(230)	(595)	(746)	(1,703)	(3,689)
As at September 30, 2019	\$9,839	\$1,450	\$3,863	\$23,607	\$7,079	\$31,917	\$77,755
At September 30, 2019							
Cost	\$10,152	\$1,736	\$4,854	32,996	\$10,282	\$33,635	\$93,655
Accumulated depreciation	(313)	(286)	(991)	(9,389)	(3,203)	(1,718)	(15,900)
Net book value	\$9,839	\$1,450	\$3,863	\$23,607	\$7,079	\$31,917	\$77,755

8. MINERAL PROPERTY INTERESTS

Balance as at January 1, 2019	\$-
Acquisition of HGO (note 3)	15,008
Property acquisition and maintenance	852
Transfer to property, plant and equipment	(2,937)
Adjustment related to asset retirement obligations	(178)
Exploration	1,669
Foreign exchange translation	(488)
Balance as at September 30, 2019	\$13,926



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9. LONG-TERM DEBT

Long-term debt comprises the following:

Nine months ended Septmeber 30, 2019	RNC	RNC	RNC	SLM		Total
	IQ Loan	Bridge	Revolver	Secured Facilities		
	(i)	(ii)	(ii)	(iii)	(iii)	
Balance as at January 1, 2019	\$444	\$-	\$-	\$4,046	\$-	\$4,490
Additions	-	25,000	10,000	-	2,382	37,382
Issue costs	-	(1,390)	-	-	-	(1,390)
Repayments	(90)	-	-	(4,111)	(2,448)	(6,649)
Accretion expense	-	273	-	188	69	530
Change due to foreign exchange translation	-	-	-	(123)	(3)	(126)
Balance as at September 30, 2019	354	23,883	10,000	-	-	34,237
Less current portion	120	-	10,000	-	-	10,120
Non-current portion	\$234	\$23,883	\$-	\$-	\$-	\$24,117

(i) IQ Loan

In 2017, the Corporation borrowed \$0.5 million 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.

(ii) Bridge and Revolver Facilities

Concurrent with the acquisition of HGO, the Corporation secured two facilities with a corporate lender being a bridge facility in the amount of \$25 million (“**Bridge**”) and a revolving facility in the amount of \$10 million (“**Revolver**”). The Bridge has a term of up to 18 months which is repayable without penalty at 12 months. The facility does not require repayment of principal until the expiry of the term and bears interest at a rate of 10% per annum paid monthly. Issue costs totalling \$1.4 million are accreted over the eighteen-month term of the Bridge.

The Revolver has an initial term of 12 months, extendible for a further six months for no additional fee. The facility does not require repayment of principal until the expiry of the term, and bears interest at a rate of 10% per annum paid monthly. Repayments can be made throughout the term of the facility with no penalty.

In addition to cash, issue costs for the combined facilities included the issuance of 1.5 million shares at a value of \$0.7 million.

(iii) SLM Secured Facilities

On December 14, 2018, SLM entered into an arrangement to borrow USD \$2.9 million (\$3.9 million) from Auramet International LLC (“**Auramet**”). The facility was repayable on April 15, 2019 with an option to extend the delivery date for 30 days and the facility costs were accreted over the four-month term to



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maturity. The facility was secured by gold specimens produced by the Beta Hunt mine representing 2,630 ounces of gold. This facility was extended to May 15, 2019 with the same terms and conditions.

On Feb 28, 2019, SLM entered into an arrangement to borrow USD \$1.9 million (\$2.4 million) from Auramet. The facility was repayable on or before April 30, 2019 with an option to extend 30 days and the facility costs were accreted over the two-month term to maturity. The facility was secured by gold specimens produced by the Beta Hunt mine representing 1,370 ounces of gold. This facility was extended to May 31, 2019 with the same terms and conditions.

The SLM facilities were both fully repaid during the first nine months of 2019.

10. CONTRACT LIABILITIES

The Corporation has a USD \$5.0 million (\$6.5 million) in-process gold facility with Auramet. The gold facility is classified as a contract liability. As at September 30, 2019, there was no balance outstanding under this facility.

11. 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 September 30, 2019, 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 interim consolidated statement of comprehensive loss on a mark to market basis and recorded in financial assets and financial liabilities. For the nine months ended September 30, 2019, the table below summarizes the movements in derivative financial liabilities:

Nine months ended September 30,	2019
Balance as at January 1, 2019	(\$1,131)
Change due to foreign exchange	206
Net change in fair value of derivative instruments	(3,494)
Balance as at September 30, 2019	(\$4,419)



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The following table summarizes the outstanding derivative positions at September 30, 2019:

SLM (Beta Hunt)	Maturity		Statement of Financial Position
	Current	Total	Classification
			Current Liabilities
Gold call option sell contracts			
Ounces	20,000	20,000	
Average price per ounce (in AUD)	\$1,933	\$1,933	
Fair value of liability as at September 30, 2019	(\$4,452)	(\$4,452)	(\$4,452)
Gold put option buy contracts			
Ounces	20,000	20,000	
Average price per ounce (in AUD)	\$1,831	\$1,831	
Fair value of asset as at September 30, 2019	\$33	\$33	\$33
Total			(\$4,419)

12. SHARE CAPITAL

On September 20, 2019, the Corporation closed a bought deal financing of 46,156,000 units at a price of \$0.40 per unit for gross proceeds of \$18.5 million. Each unit consists of one common share and one-half common share warrant for a total of 46,156,000 common shares and 23,078,000 warrants. The financing was underwritten on a bought deal basis by a syndicate of underwriters. In connection with the financing, the Corporation granted the underwriters an over-allotment option, exercisable at the issue price for a period of 30 days following the closing to purchase up to an additional 6,750,000 shares (representing 15% of the shares offered pursuant to the financing) to cover over-allotments, if any, or for market stabilization purposes. Each warrant is exercisable to acquire one common share at a price per warrant of \$0.50 for a period of 24 months from the closing date of the financing. The units had an aggregate issue cost of \$1.0 million. The financing raised \$18.5 million of which \$17.1 million was applied to the shares at fair value and the residual amount of \$1.4 million was applied towards the value of the warrants.

On June 10, 2019, the Corporation closed the acquisition of the HGO from Westgold. As part of the consideration (note 3), upon closing, the Corporation issued 49,811,364 shares valued at \$23.0 million, net of issue costs of \$0.3 million.



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On April 18, 2019, the Corporation closed a bought deal financing of 24,490,000 shares at a price of \$0.49 per share for gross proceeds of \$12.0 million. The financing was underwritten on a bought deal basis by a syndicate of underwriters. In connection with the financing, the Corporation granted the underwriters an over-allotment option, exercisable at the issue price for a period of 30 days following the closing to purchase up to an additional 3.7 million shares (representing 15% of the shares offered pursuant to the financing) to cover over-allotments, if any, or for market stabilization purposes. In addition, 1.5 million warrants were granted at an exercise price of \$0.49 for two years. The warrants had an aggregate fair value of \$0.5 million which were included in total issue costs of \$1.4 million. The warrants were valued using the Black-Scholes option pricing model and using the following assumptions:

Share price	\$0.49
Exercise price	\$0.49
Risk free interest rate	1.61%
Expected life	2.0 years
Expected volatility	125%
Expected dividends	nil

On March 26, 2019, the Corporation entered into a purchase option agreement (“**Purchase Option**”) with Westgold for HGO. The Corporation made a non-refundable payment of 7,104,655 shares valued at AUD \$4.0 million (\$3.8 million) which was initially accounted for as a derivative asset on the Corporation’s interim consolidated statement of financial position. The Purchase Option provided for an exclusive 40-day period to complete due diligence with closing to occur 30 days later if the Purchase Option is exercised. The option was exercised and the fair value formed part of the purchase consideration referenced in note 3.

On January 16, 2019, the Corporation closed a bought deal and concurrent private placement financing of a total of 19,565,000 common shares of the Corporation at a price of \$0.46 per common share for aggregate gross proceeds of \$9.0 million. The bought deal consisted of 13,044,000 common shares at a price of \$0.46 for gross proceeds of \$6.0 million. The private placement was completed on the basis of 6,521,000 additional common shares at a price of \$0.46 per common share generating additional gross proceeds of \$3.0 million. Issue costs totalling \$1.4 million were incurred. In addition, 1,193,468 warrants were granted at an exercise price of \$0.46 for two years. The warrants had an aggregate fair value of \$0.3 million which were included in total issue costs of \$1.4 million. The warrants were valued using the Black-Scholes option pricing model and using the following assumptions:

Share price	\$0.46
Exercise price	\$0.46
Risk free interest rate	1.89%
Expected life	2.0 years
Expected volatility	124%
Expected dividends	nil

On January 18, 2019, the underwriters of the January 16, 2019 bought deal exercised an over-allotment option for an additional 326,165 shares of the Corporation at \$0.46 per common share for additional gross proceeds of \$0.2 million.



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13. GENERAL AND ADMINISTRATIVE EXPENSES

For the periods ended September 30,	Three months ended,		Nine months ended,	
	2019	2018	2019	2018
General and administrative: share-based payments	\$(1,344) ¹	\$8,862	\$1,123 ¹	\$9,354
Expense by nature:				
Salaries, wages and benefits	666	575	1,915	1,512
Directors' fees	14	-	156	-
Professional fees	219	133	689	600
Consulting fees	256	-	365	224
Public company expenses	109	45	268	188
Office and general	865	245	1,494	778
Conference and travel	189	15	431	98
Investor relations	574	56	1,226	256
Business development	-	207	38	370
Acquisition costs	301	-	2,945	-
Depreciation and amortization	65	28	161	82
General and administrative: other	\$3,258	\$1,304	\$9,688	\$4,108

¹Primarily mark-to-market adjustments on restricted share units, deferred share units and share appreciation rights, as well as the amortization of options during the periods.

14. LOSS PER SHARE

For the periods ended September 30,	Three months ended,		Nine months ended,	
	2019	2018	2019	2018
Loss attributable to RNC shareholders	\$(255)	\$(7,510)	\$(19,721)	\$(20,939)
Weighted average number of common shares	564,423,347	384,495,931	512,967,082	366,496,587
Loss per share attributable to RNC shareholders – basic and diluted	\$(0.00)	\$(0.02)	\$(0.04)	\$(0.06)

The effect of potential issuances of shares under stock options, warrants, deferred share units, convertible debentures and restricted share units would be anti-dilutive for the three and nine-month periods ended September 30, 2019 and 2018, and accordingly, basic and diluted loss per share are the same.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities 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.



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As at	September 30, 2019		December 31, 2018	
	Carrying value	Fair Value	Carrying value	Fair Value
Financial liabilities at amortized cost				
IQ Loan (note 9) (level 2)	\$354	\$354	\$444	\$444
Bridge Facility (note 9) (Level 2)	23,883	23,883	-	-
Revolver Facility (note 9) (Level 2)	10,000	10,000	-	-
SLM Secured Facility (note 9) (level 2)	-	-	4,046	4,046

16. OTHER EXPENSES, NET

For the periods ended September 30, 2019	Three months ended,		Nine months ended,	
	2019	2018	2019	2018
<u>RNC</u>				
Share of loss (gain) of associates	\$50	\$(369)	\$554	\$(403)
Accretion expense	239	136	329	1,591
Interest expense	886	202	1,097	870
Unrealized loss on revaluation of marketable securities	79	-	79	-
Loss on deemed disposal upon loss of control of subsidiaries	-	340	-	340
Loss on other investment	-	-	-	17
Loss on debt settlement	-	173	-	173
Change in fair value – embedded derivative (realized)	-	246	-	(569)
<u>SLM (Beta Hunt)</u>				
Change in fair value – derivative financial instruments	3,781	(1,439)	7,542	68
Accretion expense	4	1,261	272	2,167
Early settlement on senior secured loan facility	-	162	-	162
Loss on reclassification of deferred revenue	-	-	-	1,692
Interest expense	-	250	-	1,449
Change in fair value - nickel loan	-	-	-	622
Royalty buyback	-	1,618	-	1,618
Other finance costs	72	70	170	578
<u>HGO</u>				
Change in fair value – derivative financial instruments	1,031	-	1,031	-
<u>VMS (Reed)</u>				
Change in fair value – derivative financial instruments	-	292	1	(685)
Gain on sale of mineral property interests	-	-	(270)	-
<u>Other</u>				
Foreign exchange loss	3,487	3,592	8,495	5,367
Finance and other expense	7	181	437	427
	\$9,636	\$6,715	\$19,737	\$15,484



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17. SUPPLEMENTAL CASH FLOW INFORMATION

Other expenses (income)

For the periods ended September 30,	Three months ended,		Nine months ended,	
	2019	2018	2019	2018
Share of loss (gain) in associates	\$50	\$(368)	\$554	\$(403)
Derivative financial instruments	758	1,211	3,288	(2,636)
Asset retirement obligation	-	(773)	-	(747)
Loss (gain) on disposals	-	-	-	17
Loss on loss of control of subsidiaries	-	5,209	-	5,209
Loss on dilution of associate	-	66	-	66
Accretion - asset retirement obligations	30	-	63	-
Accretion - finance lease obligations	29	-	90	-
Gain on sale of mineral property interest	-	-	(270)	-
Unrealized loss on revaluation of marketable securities	79	-	79	-
Accretion, long-term debt	225	1,355	530	3,519
Other	174	-	174	318
	\$1,345	\$6,700	\$4,508	\$5,343

Other supplemental information

For the periods ended September 30,	Three months ended,		Nine months ended,	
	2019	2018	2019	2018
Interest received	\$9	\$-	\$24	\$109
Interest paid	441	7,931	899	9,412
Mineral property interests in accounts payable and accrued liabilities	4	-	4	-
Property, plant and equipment in accounts payable and accrued liabilities	1,144	932	1,144	932

18. SEGMENTED INFORMATION

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



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For the three months ended September 30, 2019

	Beta Hunt Gold/Nickel Mine Australia	HGO Gold Mine/Mill Australia	Reed Copper Mine Canada	Intersegment Elimination (1)	Corporate and other exploration Canada	Total
Revenues	\$32,301	\$19,234	\$-	\$(8,443)	\$-	\$43,092
Production and processing costs	22,081	13,032	-	(8,443)	-	26,670
Royalty expense	3,062	259	-	-	-	3,321
Depreciation and amortization	554	1,431	-	-	-	1,985
General and administrative: share-based payments	-	-	-	-	(1,344)	(1,344)
General and administrative: other	312	507	37	-	2,402	3,258
Operating earnings (loss)	\$6,292	\$4,005	(\$37)	-	(\$1,058)	\$9,202

1) Eliminates the revenues of HGO in respect of toll processing services provided to Beta Hunt Gold Mine.

For the nine months ended September 30, 2019

	Beta Hunt Gold/Nickel Mine Australia	HGO Gold Mine/Mill Australia	Reed Copper Mine Canada	Intersegment Elimination (1)	Corporate and other exploration Canada	Total
Revenues	\$58,928	\$21,816	\$27	\$(9,567)	\$-	\$71,204
Production and processing costs	43,390	17,226	-	(9,567)	-	51,049
Royalty expense	5,610	259	-	-	-	5,869
Depreciation and amortization	1,586	1,948	-	-	-	3,534
General and administrative: share-based payments	-	-	-	-	1,123	1,123
General and administrative: other	947	556	85	-	8,100	9,688
Operating earnings (loss)	\$7,395	\$1,827	(\$58)	-	(\$9,223)	(\$59)

As at September 30, 2019

Property, plant and equipment	\$30,298	\$44,810	\$-	\$-	\$2,647	\$77,755
Mineral property interests	-	13,926	-	-	-	13,926
Total assets	44,624	80,211	199	-	41,188	166,222

As at December 31, 2018

Property, plant and equipment	\$24,474	\$-	\$-	\$-	\$56	\$24,530
Total assets	34,092	-	78	-	23,842	58,012

1) Eliminates the revenues of HGO in respect of toll processing services provided to Beta Hunt Gold Mine.



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For the three months ended September 30, 2018

	Dumont JV Canada	Beta Hunt Gold/Nickel Mine Australia	Reed Copper Mine Canada	Corporate and other Canada	Total
Revenues	-	\$37,739	\$5,658	-	\$43,397
Production and processing costs	-	27,854 ¹	1,206	-	29,060
Royalty expense	-	4,282	-	-	4,282
Depreciation and amortization	-	538	-	-	538
General and administrative: share-based payments	-	-	-	8,862	8,862
General and administrative: other	-	51	47	1,206	1,304
Operating earnings (loss)	-	\$5,014	\$4,405	(\$10,068)	(\$649)

1 Includes \$2,105 in respect of capital-related costs incurred in the third quarter of 2018 prior to discovery of grade coarse gold.

For the nine months ended September 30, 2018

	Dumont JV Canada ²	Beta Hunt Gold/Nickel Mine Australia	Reed Copper Mine Canada	Orford Canada ²	Corporate and other exploration Canada	Total
Revenues	-	\$74,490	\$22,204	-	-	\$96,694
Production and processing costs	-	69,248 ¹	4,057	-	-	73,305
Royalty expense	-	7,899	-	-	-	7,899
Depreciation and amortization	-	1,728	5,489	-	-	7,217
General and administrative: share-based payments	-	-	-	136	9,218	9,354
General and administrative: other	62	259	164	468	3,155	4,108
Operating earnings (loss)	(\$62)	(\$4,644)	\$12,494	(\$604)	(\$12,373)	(\$5,189)

1 Includes \$9,096 in respect of capital-related costs incurred in the first three quarters of 2018.

2 Includes operating activity for the first half of 2018, up to the point of loss of control and derecognition of the subsidiary.