



**ROYAL NICKEL CORPORATION**  
(Doing Business as RNC Minerals)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
Three and Nine Months Ended September 30, 2016  
(Unaudited)



Royal Nickel Corporation

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Royal Nickel Corporation

## Management's Responsibility for Financial Reporting

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

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced. Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements and (ii) the unaudited condensed consolidated interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Corporation, as of the date of and for the periods presented by the unaudited condensed consolidated interim financial statements.

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

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

/s/ Mark Selby

Mark Selby  
President and Chief Executive Officer

/s/ Tim Hollaar

Tim Hollaar  
Chief Financial Officer

Toronto, Canada

November 13, 2016



Royal Nickel Corporation

## Consolidated Interim Balance Sheets

(Expressed in thousands of Canadian dollars)  
(Unaudited)

|   | September 30, 2016 | December 31, 2015 |
|---|--------------------|-------------------|
| <b>ASSETS</b>                               |                    |                   |
| <b>Current assets</b>                       |                    |                   |
| Cash and cash equivalents                   | \$9,964            | \$9,634           |
| Amounts receivable (note 5)                 | 7,372              | 715               |
| Inventories (note 6)                        | 3,510              | -                 |
|   | <b>20,846</b>      | <b>10,349</b>     |
| <b>Non-current assets</b>                   |                    |                   |
| Investment in associate (note 7)            | 1,672              | 1,525             |
| Other investment                            | 140                | 20                |
| Deposits and prepaids                       | 29                 | 153               |
| Tax credits receivable                      | 224                |                   |
| Property, plant and equipment (note 8)      | 59,421             | 1,151             |
| Intangible assets                           | 55                 | 71                |
| Mineral property interests (note 9)         | 86,540             | 69,290            |
| <b>Total assets</b>                         | <b>\$168,927</b>   | <b>\$82,559</b>   |
| <b>LIABILITIES AND EQUITY</b>               |                    |                   |
| <b>Current liabilities</b>                  |                    |                   |
| Accounts payable and accrued liabilities    | \$14,178           | \$1,565           |
| Share incentive plan (note 13)              | 2,602              | 957               |
| Flow-through share premium                  | 5                  | 5                 |
| Current portion of long-term debt (note 10) | 21,113             | -                 |
| Finance lease obligation                    | 815                | 26                |
|   | <b>38,713</b>      | <b>2,553</b>      |
| <b>Non-current liabilities</b>              |                    |                   |
| Share appreciation rights (note 13)         | 215                | 38                |
| Accrued production liability                | 600                | -                 |
| Long-term debt (note 10)                    | 17,088             | -                 |
| Asset retirement obligation (note 17)       | 1,176              | 488               |
| Deferred income tax liability               | 14,051             | 11,202            |
| <b>Total liabilities</b>                    | <b>71,843</b>      | <b>14,281</b>     |
| <b>EQUITY</b>                               |                    |                   |
| Share capital (note 11)                     | 157,543            | 113,051           |
| Contributed surplus                         | 26,065             | 24,818            |
| Accumulated other comprehensive income      | 240                | -                 |
| Deficit                                     | (90,658)           | (72,704)          |
| Equity attributable to RNC shareholders     | <b>93,190</b>      | <b>65,165</b>     |
| Non-controlling interests                   | <b>3,894</b>       | <b>3,113</b>      |
| <b>Total equity</b>                         | <b>97,084</b>      | <b>\$68,278</b>   |
| <b>Total liabilities and equity</b>         | <b>\$168,927</b>   | <b>\$82,559</b>   |

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

Going concern (note 1)  
Commitments and contingent liability (notes 19 and 20)  
Subsequent events (note 24)

## Consolidated Interim Statements of Loss and Comprehensive Loss

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

|  | Three months ended<br>September 30, |                | Nine months ended<br>September 30, |                |
|--|-------------------------------------|----------------|------------------------------------|----------------|
|  | 2016                                | 2015           | 2016                               | 2015           |
| <b>Revenue</b>   | <b>\$10,740</b>                     | \$-            | <b>\$23,258</b>                    | \$-            |
| <b>Cost of Operations</b>  |                                     |                |                                    |                |
| Production and toll-processing costs   | 10,139                              | -              | 18,873                             | -              |
| Royalty expense  | 281                                 | -              | 852                                | -              |
| General and administrative (note 14)   | 2,849                               | \$1,186        | 10,463                             | \$3,321        |
| Depreciation and amortization  | 1,671                               | -              | 3,604                              | -              |
| <b>Operating Loss</b>  | <b>4,200</b>                        | <b>\$1,186</b> | <b>10,534</b>                      | <b>\$3,321</b> |
| <b>Other expenses (income), net (note 21)</b>  | <b>3,925</b>                        | 41             | <b>6,463</b>                       | 154            |
| <b>Loss before income tax</b>  | <b>8,125</b>                        | 1,227          | <b>16,997</b>                      | 3,475          |
| Deferred income tax expense (recovery)   | 440                                 | 287            | 722                                | (414)          |
| <b>Loss for the period</b>   | <b>\$8,565</b>                      | <b>\$1,514</b> | <b>\$17,719</b>                    | <b>\$3,061</b> |
| <b>Attributable to:</b>  |                                     |                |                                    |                |
| RNC shareholders   | 8,438                               | 1,326          | 17,954                             | 2,791          |
| Non-controlling interests  | 127                                 | 188            | (235)                              | 270            |
| Other item that may be reclassified subsequently to the consolidated statement of loss | -                                   | -              | -                                  | -              |
| <b>Other comprehensive gain for the period</b>   | <b>(923)</b>                        | -              | <b>(240)</b>                       | -              |
| Comprehensive loss for the period  | 7,515                               | 1,514          | 17,714                             | 3,061          |
| <b>Loss per share attributable to RNC shareholders</b>                                 |                                     |                |                                    |                |
| <b>Basic and diluted (note 15)</b>   | <b>\$0.03</b>                       | \$0.01         | <b>\$0.09</b>                      | \$0.02         |

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



Royal Nickel Corporation

## Consolidated Interim Statements of Cash Flows

(Expressed in thousands of Canadian dollars)

(Unaudited)

|  | Three months ended<br>September 30, |                  | Nine months ended<br>September 30, |                  |
|--|-------------------------------------|------------------|------------------------------------|------------------|
|  | 2016                                | 2015             | 2016                               | 2015             |
| <b>Cash flow provided by (used in)</b>                                     |                                     |                  |                                    |                  |
| <b>OPERATING ACTIVITIES</b>  |                                     |                  |                                    |                  |
| <b>Loss for the period</b>   | <b>\$(8,565)</b>                    | <b>\$(1,514)</b> | <b>\$(17,719)</b>                  | <b>\$(3,061)</b> |
| Items not involving cash:  |                                     |                  |                                    |                  |
| Depreciation and amortization  | 1,682                               | 14               | 3,637                              | 44               |
| Deferred income tax (recovery) expense                                     | 440                                 | 287              | 722                                | (414)            |
| Other expenses (income) (note 22)  | 2,964                               | 68               | 5,276                              | 197              |
| Deemed repayments of contribution loan from gross profits of the Reed Mine | (3,896)                             | -                | (5,736)                            | -                |
| Shares issued for consulting services                                      | 52                                  | 66               | 393                                | 135              |
| Foreign exchange gain  | (316)                               | -                | 58                                 | -                |
| Share-based payments   | 227                                 | (128)            | 1,988                              | 449              |
|  | <b>(7,412)</b>                      | <b>(1,207)</b>   | <b>(11,381)</b>                    | <b>(2,650)</b>   |
| Changes in non-cash working capital  |                                     |                  |                                    |                  |
| Amounts receivable and deposits  | 2,188                               | (305)            | 1,953                              | (261)            |
| Inventories  | 87                                  | -                | (1,935)                            | -                |
| Share based plan redemptions for cash                                      | -                                   | (37)             | -                                  | (178)            |
| Accounts payable and accrued liabilities                                   | (217)                               | (27)             | 3,670                              | (557)            |
|  | <b>(5,354)</b>                      | <b>(1,576)</b>   | <b>(7,693)</b>                     | <b>(3,646)</b>   |
| <b>INVESTING ACTIVITIES</b>  |                                     |                  |                                    |                  |
| Expenditures on mineral property interests                                 | (2,850)                             | (2,637)          | (5,590)                            | (6,106)          |
| Collateral investment  | -                                   | 267              | -                                  | 4,000            |
| Net tax credits and mining duties received                                 | -                                   | 210              | -                                  | 1,190            |
| Acquisition of property, plant and equipment                               | (1,052)                             | -                | (4,910)                            | -                |
| Cash acquired on acquisition of SLM  | -                                   | -                | 4,232                              | -                |
| Cash acquired on acquisition of VMS  | -                                   | -                | 1,167                              | -                |
| Investment in SLM  | -                                   | -                | (2,500)                            | -                |
| Investment in associate  | -                                   | -                | (125)                              | -                |
| Sale of NSR, net of transaction costs                                      | -                                   | 8,652            | -                                  | 8,652            |
| Proceeds on sale of property, plant and equipment                          | -                                   | -                | 6                                  | 190              |
|  | <b>(3,902)</b>                      | <b>6,492</b>     | <b>(7,720)</b>                     | <b>7,926</b>     |
| <b>FINANCING ACTIVITIES</b>  |                                     |                  |                                    |                  |
| Issuance of shares, net of costs   | 9,931                               | \$3,887          | 18,049                             | \$7,230          |
| Exercise of options and warrants   | 1                                   | -                | 263                                | -                |
| Repayment of senior secured facility                                       | (828)                               | -                | (2,527)                            | -                |
| Private placement – TNN  | 1,000                               | -                | 1,000                              | -                |
| Principal payments on finance leases                                       | (540)                               | (5)              | (1,042)                            | (15)             |
|  | <b>9,564</b>                        | <b>3,882</b>     | <b>15,743</b>                      | <b>7,215</b>     |
| <b>Change in cash and cash equivalents</b>                                 | <b>308</b>                          | <b>8,798</b>     | <b>330</b>                         | <b>11,495</b>    |
| <b>Cash and cash equivalents, beginning of period</b>                      | <b>9,656</b>                        | <b>5,640</b>     | <b>9,634</b>                       | <b>2,943</b>     |
| <b>Cash and cash equivalents, end of period</b>                            | <b>\$9,964</b>                      | <b>\$14,438</b>  | <b>\$9,964</b>                     | <b>\$14,438</b>  |
| Components of cash and cash equivalents:                                   |                                     |                  |                                    |                  |
| Cash   | \$5,392                             | \$1,947          | \$5,392                            | \$1,947          |
| Cash equivalents   | 4,572                               | 12,491           | 4,572                              | 12,491           |
|  | <b>\$9,964</b>                      | <b>\$14,438</b>  | <b>\$9,964</b>                     | <b>\$14,438</b>  |

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



Royal Nickel Corporation

## Consolidated Interim Statements of Changes in Equity

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

|   | Share Capital      |                  | Contributed Surplus | Accumulated Other Comprehensive income | Deficit           | Equity attributable to RNC shareholders | Non-controlling interest | Total Equity    |
|---|--------------------|------------------|---------------------|--|-------------------|---|--------------------------|-----------------|
|   | Number             | Amount           |                     |  |                   |   |                          |                 |
| <b>Balance as at January 1, 2016</b>                            | <b>131,325,941</b> | <b>\$113,051</b> | <b>\$24,818</b>     | -                                      | <b>\$(72,704)</b> | <b>\$65,165</b>                         | <b>\$3,113</b>           | <b>\$68,278</b> |
| Shares issued for consulting services                           | 1,996,836          | 393              | -                   | -                                      | -                 | 393                                     | -                        | 393             |
| Acquisition of SLM – common shares initial acquisition (note 3) | 31,937,831         | 6,387            | -                   | -                                      | -                 | 6,387                                   | 4,676                    | 11,063          |
| Acquisition of SLM – non-controlling interest (note 3)          | 24,324,067         | 5,075            | -                   | -                                      | -                 | 5,075                                   | (5,075)                  | -               |
| Acquisition of VMS (note 4)                                     | 36,000,000         | 15,480           | -                   | -                                      | -                 | 15,480                                  | -                        | 15,480          |
| Public Offering and Overallotment (note 11)                     | 18,060,000         | 9,211            | -                   | -                                      | -                 | 9,211                                   | -                        | 9,211           |
| Public Offering and overallotment issue costs (note 11)         | -                  | (1,245)          | 91                  | -                                      | -                 | (1,154)                                 | -                        | (1,154)         |
| Private placement – flow through common shares                  | 3,274,000          | 1,670            | -                   | -                                      | -                 | 1,670                                   | -                        | 1,670           |
| 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 (note 12)                               | -                  | -                | -                   | -                                      | -                 | -                                       | 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  | -                  | -                | 348                 | -                                      | -                 | 348                                     | -                        | 348             |
| Loss for the period   | -                  | -                | -                   | -                                      | (17,954)          | (17,954)                                | 235                      | (17,719)        |
| Other comprehensive loss  | -                  | -                | -                   | 240                                    | -                 | 240                                     | -                        | 240             |
| <b>Balance as at September 30, 2016</b>                         | <b>274,704,900</b> | <b>\$157,543</b> | <b>\$26,065</b>     | <b>\$240</b>                           | <b>\$(90,658)</b> | <b>\$93,190</b>                         | <b>\$3,894</b>           | <b>\$97,084</b> |



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|  | Share Capital      |                  | Contributed Surplus | Accumulated Other Comprehensive loss | Deficit           | Equity attributable to RNC shareholders | Non-controlling interest | Total Equity    |
|--|--------------------|------------------|---------------------|--------------------------------------|-------------------|---|--------------------------|-----------------|
|  | Number             | Amount           |                     |                                      |                   |   |                          |                 |
| <b>Balance as at January 1, 2015</b>   | <b>109,656,340</b> | <b>\$106,297</b> | <b>\$24,296</b>     | -                                    | <b>\$(67,382)</b> | <b>\$63,211</b>                         | <b>\$3,339</b>           | <b>\$66,550</b> |
| Shares issued for consulting service   | 460,031            | 135              | -                   | -                                    | -                 | 135                                     | -                        | 135             |
| Redemption of restricted share units for shares                              | 10,417             | 3                | -                   | -                                    | -                 | 3                                       | -                        | 3               |
| Private placement – flow through common shares                               | 8,571,428          | 3,000            | -                   | -                                    | -                 | 3,000                                   | -                        | 3,000           |
| Flow-through share premium on issuance                                       | -                  | (686)            | -                   | -                                    | -                 | (686)                                   | -                        | (686)           |
| Private placement  | 12,391,638         | 4,608            | -                   | -                                    | -                 | 4,608                                   | -                        | 4,608           |
| Private placement issue costs  | -                  | (453)            | 75                  | -                                    | -                 | (378)                                   | -                        | (378)           |
| Increase in non-controlling interest arising from further acquisition of TNN | -                  | -                | (68)                | -                                    | -                 | (68)                                    | 68                       | -               |
| Share-based payments   | -                  | -                | 311                 | -                                    | -                 | 311                                     | -                        | 311             |
| Loss and comprehensive loss for the period                                   | -                  | -                | -                   | -                                    | (2,791)           | (2,791)                                 | (270)                    | (3,061)         |
| <b>Balance as at September 30, 2015</b>                                      | <b>131,089,854</b> | <b>\$112,904</b> | <b>\$24,614</b>     | -                                    | <b>\$(70,173)</b> | <b>\$67,345</b>                         | <b>\$3,137</b>           | <b>\$70,482</b> |

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





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# Notes to Condensed Consolidated Interim Financial Statements

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

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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.

The consolidated financial statements of the Corporation as at and for the periods ended September 30, 2016, are comprised of RNC, its subsidiaries True North Nickel Inc. (“**TNN**”), Salt Lake Mining Mining Pty Ltd. (“**SLM**”), and VMS Ventures Inc. (“**VMS**”), 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 focussed on the acquisition and responsible development of a high-quality portfolio of base and precious metal assets. The Corporation is transitioning from the exploration and evaluation stage into a nickel, copper and precious metal producer. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that planned exploration and development programs will result in profitable mining operations. The recoverability of amounts shown for mineral property interests is dependent upon 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.

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

As at September 30, 2016, the Corporation had negative working capital of \$17,867, had an accumulated deficit of \$90,658 and incurred a loss of \$17,719 for the nine months then ended. Working capital included cash and cash equivalents of \$9,964.

The Corporation's ability to continue future operations and fund its operations and successfully operate its Beta-Hunt Mine through its subsidiary 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



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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 consolidated interim financial statements. These circumstances indicate the existence of material uncertainties that cast significant doubt upon the Corporation's ability to continue as a going concern and accordingly, the appropriateness of the use of IFRS applicable to a going concern. These unaudited condensed consolidated interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

## **2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

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### **a) Statement of Compliance**

These unaudited condensed interim financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The unaudited condensed consolidated interim financial statements should be read in conjunction with the Corporation's audited annual consolidated financial statements for the year ended December 31, 2015.

The Corporation's financial year ends on December 31. The unaudited condensed consolidated interim financial statements were authorized for publication by the Board of Directors on November 13, 2016.

### **b) Basis of Preparation**

The accounting policies and methods of computation applied in these unaudited condensed consolidated interim financial statements are consistent with those of the previous financial year, except as described below and more specifically as a result of the acquisitions of SLM and VMS:

#### *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, TNN and VMS. The functional currency of SLM is the Australian dollar.

#### *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.

#### *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.

#### *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.

#### *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.

#### *Property, plant and equipment*

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, which is calculated according to the hours-of-use method based on its estimated useful life. 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.

#### *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:



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- 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 gain or loss.

#### *Joint arrangements and interest in other entities*

Judgement is required in the proper accounting for joint arrangements per IFRS 11 and IFRS 12, 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 financial statements. The Corporation has determined that neither joint control nor significant influence exists in the Reed Mine joint arrangement and as such the arrangement has been accounted for as a joint operation.

### **3. ACQUISITION OF SLM**

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On February 1, 2016 the Corporation subscribed for shares representing a 20% interest in SLM for a cash consideration of \$2,500.

On March 15, 2016 the Corporation acquired an additional 46% interest in SLM in exchange for 31,937,831 common shares and obtained control over SLM. During the period from February 1 to March 15, 2016 the Corporation recorded its 20% share of the income of SLM for \$194 and since the acquisition the results from operations are consolidated in the statement of loss and 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 SLM meets the definition of a business combination.

The common shares issued by the Corporation were valued at \$0.20 per share, which was the closing share price on March 15, 2016, the date the shares were issued for a total share consideration of \$6,387. The fair value of the 20% interest already held at the time of the acquisition of control was estimated at \$2,766 resulting in a gain of \$71 which was recorded in the consolidated statement of loss and comprehensive loss for the three-month period ended March 31, 2016.

As the Corporation only acquired 66% of SLM, the cost of the group included the estimated fair value of the non-controlling interests of \$4,676, which was inferred from the share consideration paid by the Corporation for its 66% interest.

### Purchase price

|  |                 |
|--|-----------------|
| Fair value of initial 20% interest in SLM shares already held  | \$2,766         |
| Shares issued for the acquisition of the 46% interest in SLM shares paid by the issuance of 31,937,831 common shares | 6,387           |
| Non-controlling interests (34%)  | 4,676           |
| <b>Purchase consideration</b>  | <b>\$13,829</b> |

### Fair value of net assets acquired

|  |                 |
|--|-----------------|
| Cash and cash equivalents                | \$4,232         |
| Accounts receivable                      | 2,559           |
| Prepays                                  | 51              |
| Inventories                              | 1,575           |
| Property, plant, and equipment           | 37,922          |
| Accounts payable and accrued liabilities | (8,357)         |
| Long-term debt                           | (21,987)        |
| Asset retirement obligation              | (348)           |
| Deferred income tax liability            | (1,818)         |
| <b>Net identifiable assets</b>           | <b>\$13,829</b> |

The above fair value and allocation of the net assets acquired is preliminary and based on the best available information at this time. The adjustments and allocations of the estimated consideration transferred are based in part on preliminary estimates of the fair value of assets acquired and liabilities assumed. The fair value adjustments have been included in property, plant and equipment. The final determination of the related allocation will be completed after asset and liability valuations are finalized in the coming quarters.

Acquisition costs of \$2,123, in connection with the acquisition of SLM are included in general and administrative expenses.

In addition to the initial subscription in February 2016, the Corporation obtained the right to acquire all of the SLM shares not already owned by the Corporation for additional shares of the Corporation.

On May 31, 2016, the Corporation exercised its option and issued 24,324,067 common shares to acquire the SLM shares not already owned by the Corporation. The acquisition of the non-controlling interest during the quarter has been accounted for as an equity transaction resulting in a transfer from non-controlling interest to share capital.

#### 4. ACQUISITION OF VMS

On April 27, 2016, the Corporation completed the acquisition of VMS Ventures Inc. (“VMS”) by way of a plan of arrangement pursuant to which the Corporation acquired all of the issued and outstanding common shares of VMS, for a cash consideration of \$3,507, funded by a loan from VMS, and 36,000,000 common shares of the Corporation.

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



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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 RNC's management, the acquisition of VMS meets the definition of a business combination.

The common shares issued by the Corporation were valued at \$0.43 per share, which was the closing price on April 26, 2016, for a total share consideration of \$15,480.

**Purchase price**

|  |                |
|--|----------------|
| Cash paid  | \$3,507        |
| Total consideration paid by issuance of 36,000,000 RNC common shares | 15,480         |
| <hr/> Purchase consideration   | <hr/> \$18,987 |

**Net assets acquired**

|  |                |
|--|----------------|
| Cash and cash equivalents                | \$400          |
| Short-term investments                   | 767            |
| Accounts receivable and prepaids         | 5,915          |
| Receivable due from RNC                  | 3,507          |
| Property, plant, and equipment           | 16,896         |
| Mineral property interests               | 11,439         |
| Accounts payable and accrued liabilities | (463)          |
| Accrued production bonus liability       | (600)          |
| Asset retirement obligation              | (321)          |
| Long-term debt - Hudbay                  | (18,553)       |
| <hr/> Net identifiable assets            | <hr/> \$18,987 |

The above fair value of the purchase consideration and net assets acquired is preliminary and based on the best available information at this time. The adjustments and allocations of the estimated consideration transferred are based in part on preliminary estimates of the fair value of assets acquired and liabilities assumed. The fair value adjustments have been included in mineral property interests. The final determination of the consideration transferred and the related allocation will be completed after asset and liability valuations are finalized in the coming quarters.

Acquisition costs of \$527, in connection with the acquisition of VMS are included in general and administrative expenses.



**5. AMOUNTS RECEIVABLE**

Amounts receivable consist of the following:

|                           | <b>September 30, 2016</b> | December 31, 2015 |
|---------------------------|---------------------------|-------------------|
| Trade accounts receivable | <b>\$6,841</b>            | \$-               |
| Deposits                  | <b>75</b>                 | -                 |
| Prepays                   | <b>50</b>                 | 275               |
| Commodity taxes           | <b>287</b>                | 388               |
| Other                     | <b>119</b>                | 52                |
|                           | <b>\$7,372</b>            | \$715             |

Trade accounts receivable represents the provisional value of:

- (1) SLM nickel and copper in ore shipped for milling, for which the significant risks and rewards have transferred to a third party; and
- (2) VMS's proportionate share of Reed Mine revenue for the three months ended September 30, 2016, the final amount of which will be applied to the contribution loan from Hudbay (Note 11) effective December 31, 2016.

**6. INVENTORIES**

Inventories consist of the following:

|                              | <b>September 30, 2016</b> | December 31, 2015 |
|------------------------------|---------------------------|-------------------|
| Gold ore and gold in process | <b>\$3,318</b>            | \$-               |
| Supplies                     | <b>150</b>                | -                 |
| Fuel                         | <b>42</b>                 | -                 |
|                              | <b>\$3,510</b>            | \$-               |

## 7. INVESTMENTS IN ASSOCIATE

At September 30, 2016, the Corporation held a direct 15.6% interest in SPC.

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 June 1, 2016, to August 31, 2016, and taking into account any changes in the subsequent period from September 1 to September 30, 2016, that would materially affect the results.

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

|   | Three months ended<br>September 30, 2016 |       | Nine months ended<br>September 30, |      |
|---|--|-------|------------------------------------|------|
|   | 2016                                     | 2015  | 2016                               | 2015 |
| Share of (loss) income and comprehensive<br>(loss) income | <b>\$(5)</b>                             | \$(6) | <b>\$(61)</b>                      | \$20 |

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

|   | <b>September 30, 2016</b> | December 31, 2015 |
|---|---------------------------|-------------------|
| Balance as at January 1                                   | <b>\$1,525</b>            | \$1,476           |
| Acquisition   | <b>125</b>                | -                 |
| Gain on dilution of associate                             | <b>83</b>                 | -                 |
| Share of (loss) income and comprehensive<br>(loss) income | <b>(61)</b>               | 49                |
| <b>Balance, end of period</b>                             | <b>\$1,672</b>            | \$1,525           |





## 8. PROPERTY, PLANT AND EQUIPMENT

|  | Land and Buildings | Vehicles     | Camp, Furniture and equipment | Beta Hunt mine  | Reed mine       | Underground Equipment | Mine Buildings | Total           |
|--|--------------------|--------------|-------------------------------|-----------------|-----------------|-----------------------|----------------|-----------------|
| <b>Nine months ended</b>                               |                    |              |                               |                 |                 |                       |                |                 |
| <b>September 30, 2016</b>                              |                    |              |                               |                 |                 |                       |                |                 |
| Opening net book amount                                | \$526              | \$17         | \$608                         | \$-             | \$-             | \$-                   | \$-            | \$1,151         |
| Pre-commercial gold cost of sales, net of gold revenue | -                  | -            | -                             | 261             | -               | -                     | -              | 261             |
| Additions  | 26                 | 241          | 290                           | 4,965           | -               | 2,781                 | -              | 8,303           |
| Acquisitions (notes 3 and 4)                           | -                  | 210          | 121                           | 36,468          | 16,896          | 1,058                 | 65             | 54,818          |
| Foreign exchange                                       | -                  | 4            | 4                             | 323             | -               | 101                   | -              | 432             |
| Depreciation for the period                            | (18)               | (27)         | (159)                         | (1,828)         | (2,938)         | (570)                 | (4)            | (5,544)         |
| <b>Closing net book amount</b>                         | <b>\$534</b>       | <b>\$445</b> | <b>\$864</b>                  | <b>\$40,189</b> | <b>\$13,958</b> | <b>\$3,370</b>        | <b>\$61</b>    | <b>\$59,421</b> |

### At September, 2016

|                          |              |              |              |                 |                 |                |             |                 |
|--------------------------|--------------|--------------|--------------|-----------------|-----------------|----------------|-------------|-----------------|
| Cost                     | \$819        | \$576        | \$1,623      | \$39,902        | \$16,896        | \$3,838        | \$65        | \$63,719        |
| Accumulated depreciation | (285)        | (135)        | (763)        | (36)            | (2,938)         | (569)          | (4)         | (4,730)         |
| Foreign exchange         | -            | 4            | 4            | 323             | -               | 101            | -           | 432             |
| <b>Net book amount</b>   | <b>\$534</b> | <b>\$445</b> | <b>\$732</b> | <b>\$40,189</b> | <b>\$13,958</b> | <b>\$3,370</b> | <b>\$61</b> | <b>\$59,421</b> |

### Nine months ended

#### September 30, 2015

|                                |              |             |              |            |            |            |            |                |
|--------------------------------|--------------|-------------|--------------|------------|------------|------------|------------|----------------|
| Opening net book amount        | \$685        | \$25        | \$785        | \$-        | \$-        | \$-        | \$-        | \$1,495        |
| Disposals                      | (132)        | -           | -            | -          | -          | -          | -          | (132)          |
| Depreciation for the period    | (21)         | (6)         | (133)        | -          | -          | -          | -          | (160)          |
| <b>Closing net book amount</b> | <b>\$532</b> | <b>\$19</b> | <b>\$652</b> | <b>\$-</b> | <b>\$-</b> | <b>\$-</b> | <b>\$-</b> | <b>\$1,203</b> |

### At September 30, 2015

|                          |              |             |              |            |            |            |            |                |
|--------------------------|--------------|-------------|--------------|------------|------------|------------|------------|----------------|
| Cost                     | \$792        | \$125       | \$1,213      | \$-        | \$-        | \$-        | \$-        | \$2,130        |
| Accumulated depreciation | (260)        | (106)       | (561)        | -          | -          | -          | -          | (927)          |
| <b>Net book amount</b>   | <b>\$532</b> | <b>\$19</b> | <b>\$652</b> | <b>\$-</b> | <b>\$-</b> | <b>\$-</b> | <b>\$-</b> | <b>\$1,203</b> |

The carrying value of property, plant and equipment held under finance leases at September 30, 2016 was \$2,096 (September 30, 2015: \$81).

Beta Hunt mine pre-commercial gold cost of sales, net of gold revenue is comprised of the following:

|  | Three months ended September 30, 2016 | Nine months ended September 30, 2016 |
|--|---------------------------------------|--------------------------------------|
| Opening balance                                  | \$1,011                               | \$-                                  |
| Revenue  | \$(12,825)                            | \$(21,288)                           |
| Production and toll-processing costs             | 8,975                                 | 15,505                               |
| Royalty expense                                  | 2,062                                 | 3,658                                |
| General and administration related to production | 207                                   | 594                                  |
| Depreciation and amortization                    | 831                                   | 1,792                                |
| Net capitalized amount                           | \$(750)                               | \$261                                |
| <b>Balance, end of period</b>                    | <b>\$261</b>                          | <b>\$261</b>                         |

**9. MINERAL PROPERTY INTERESTS**

|  | Dumont          | West<br>Raglan  | Qiqavik        | VMS<br>Properties | Total           |
|--|-----------------|-----------------|----------------|-------------------|-----------------|
| <b>Exploration and evaluation expenses</b> |                 |                 |                |                   |                 |
| <b>Balance as at January 1, 2016</b>       | <b>\$59,148</b> | <b>\$10,142</b> | <b>\$-</b>     | <b>\$-</b>        | <b>\$69,290</b> |
| Acquisition of VMS (note 4)                | -               | -               | -              | 11,439            | 11,439          |
| Property acquisition and maintenance       | 274             | 126             | 91             | 4                 | 495             |
| Depreciation                               | 26              | 105             | -              | -                 | 131             |
| Engineering and technical support          | 1,715           | -               | -              | -                 | 1,715           |
| Exploration                                | 269             | 82              | 2,169          | 8                 | 2,528           |
| Environmental, community and permitting    | 508             | 36              | 4              | 1                 | 549             |
| Share-based payments                       | 578             | -               | -              | -                 | 578             |
| Quebec refundable tax credits              | (55)            | -               | (130)          | -                 | (185)           |
| <b>Balance as at September 30, 2016</b>    | <b>\$62,463</b> | <b>\$10,491</b> | <b>\$2,134</b> | <b>\$11,452</b>   | <b>\$86,540</b> |

The mineral property interests include these VMS Properties acquired as part of the VMS acquisition:

- Reed Exploration Extension Properties JV (Hudbay Joint Venture) - Manitoba;
- Snow Lake Project (consisting of seven properties including Reed East and Reed West Properties) – Manitoba;
- Sails Lake Property – Manitoba;
- Puella Bay Project – Manitoba;
- Assean Gold Project – Manitoba;
- Other Properties – Manitoba; and
- Sudbury (Black Creek) Property - Ontario

The value allocated to VMS properties is preliminary and will be completed with the finalization of the VMS purchase price allocation (see note 4).

**10. LONG-TERM DEBT**

Long-term debt is comprised of the following:

|                                  | September 30, 2016 | December 31, 2015 |
|----------------------------------|--------------------|-------------------|
| <u>Salt Lake Mining Pty Ltd.</u> |                    |                   |
| Senior secured facility          | <b>\$24,828</b>    | \$-               |
| <u>VMS Ventures Inc.</u>         |                    |                   |
| Contribution loan from Hudbay    | <b>10,025</b>      | -                 |
| Bridge loan from Hudbay          | <b>3,348</b>       | -                 |
|                                  | <b>38,201</b>      | -                 |
| Less: current portion            | <b>21,113</b>      | -                 |
|                                  | <b>\$17,088</b>    | \$-               |

### Senior Secured Facility

SLM has a Senior Secured Metal Prepay Agreement (the “MPA” facility) with LRC-SLM L.P. (“LRC”, a subsidiary of Lascaux Resource Capital Fund, L.P. The MPA facility initially provided a US\$15,000 senior secured facility which bears interest at 9.5%. The MPA facility is secured by a first ranking charge over the assets and undertakings of SLM and by the SLM common shares owned by the Corporation. The MPA facility contains covenants which are customary for a facility of this nature, including with respect to minimum cash balances and minimum resource and reserve base. Under the MPA facility, repayments are to be made each month in nickel tonnes and each quarter in gold ounces as per a repayment schedule. Additional nickel repayment units are payable for nickel production above the agreed budget. Ten percent of excess nickel production is payable in advance, thereby reducing the total nickel tonnes overall. A monthly gold repayment is required equal to 3% of gold produced.

The MPA facility is also subject to the following:

- A nickel payment, calculated at US\$75 per nickel tonne sold, excluding nickel tonnes repayments made under the facility; and
- A gold payment, calculated at 3% per gold ounces produced, excluding gold ounces repayments made under the facility

At September 30, 2016 the outstanding amounts to be delivered under the MPA was 1,176 payable nickel tonnes and 4,800 gold ounces, respectively.

SLM has established a past practice of settling in cash with LRC the metals to be delivered under the MPA. Consequently, the obligation to deliver the metals are accounted for as embedded forward contracts combined to a US\$ denominated debt host corresponding to the imputed cash legs of the embedded forward contracts and the cash interest payments required under the MPA.

The debt host reflects an effective rate of 9.5%.

The initial fair value of the MPA facility at acquisition of SLM was \$21,987.

The table below shows the change in the carrying value of the Senior Secured Facility for the period March 15, 2016 to September 30, 2016:

|                                 | September 30, 2016 | December 31, 2015 |
|---------------------------------|--------------------|-------------------|
| Opening Balance                 | \$-                | \$-               |
| Acquisition of SLM (note 3)     | 21,987             | -                 |
| Repayments                      | (2,527)            | -                 |
| Change in fair value            | 4,082              | -                 |
| Change in foreign exchange rate | 246                | -                 |
| Accretion                       | 1,040              | -                 |
| Ending Balance                  | <b>\$24,828</b>    | \$-               |

The fair value of the embedded derivatives is classified in Level 2 of the fair value hierarchy. An increase (decrease) of 5% across the price curve of nickel and gold would not materially increase (decrease) the fair value of the embedded derivatives.

On October 3, 2016 the MPA facility was fully repaid. See note 25.

### Contribution loan from Hudbay

VMS executed an Ore Sales and Purchase Agreement in accordance with the terms and conditions of the Joint Venture Agreement dated July 5, 2010, for the purpose of developing and operating the Reed Mine where VMS (the “Seller”) agreed to sell and Hudson Bay Mining and Smelting Co. Limited (the “Buyer” or “Hudbay”) agreed to purchase the Seller’s proportionate share of ore produced from the Reed Mine on the terms and subject to the conditions of the agreement. The parties agree that in determining fair pricing the Buyer shall be entitled to a recovery of its direct and indirect costs of processing the ore, plus a reasonable operator’s allowance. Revenue is determined according to the Corporation’s revenue recognition policy.

Hudbay also provided full financing for VMS’s proportionate share of the costs to explore and develop the Reed Mine, which are repayable solely from VMS’s share of gross profit generated by the mine.

As per the Joint Venture Agreement with Hudbay, a contribution loan was established to record VMS’s 30% share of the value of the mine development and pre-production costs incurred by Hudbay. The contribution loan is repaid solely from 100% of the gross profits before depletion from the mine. The Corporation determines the gross profit by deducting the direct production costs of the ore from the sales revenue. The contribution loan is interest free.

The loan was accounted for as a financial liability and recorded at fair value at the date of acquisition of VMS using an effective rate of 8%.

The table below shows the change in the carrying value of the contribution loan for the period April 27, 2016 to September 30, 2016:

|  | September 30,<br>2016 | December 31, 2015 |
|--|-----------------------|-------------------|
| Opening Balance  | -                     | -                 |
| Acquisition of VMS (note 4)  | <b>15,205</b>         | -                 |
| Deemed repayments from proportionate share of gross profits generated by Reed Mine | <b>(5,736)</b>        | -                 |
| Accretion  | <b>556</b>            | -                 |
| Ending Balance   | <b>\$10,025</b>       | -                 |

### Bridge loan from Hudbay

The on-going production costs, plus related administrative and operator costs, are due from each participant in the Reed Mine, based on their percentage interest. Hudbay issues quarterly cash call reports to VMS to cover the quarterly expenses. In general, the proceeds from the ore concentrate sales are in excess of the production, administrative and operator costs and therefore VMS should not need to make any cash contributions. There is a risk that this expectation may not be met in the future. There is a delay of about 100 days before the ore concentrate sales are finalized. The first quarter’s



costs in could not be covered by proceeds from the ore concentrate sales, which necessitated the establishment of the bridge loan.

The bridge loan principal is not repaid until the contribution loan has been repaid in full. At that time, the principal amount of the loan shall be repaid in the same manner as the contribution loan. The bridge loan accrued interest calculated at 8% will be repaid from the proportionate share of net profits from the mine.

The table below shows the change in the carrying value of the bridge loan for the period April 27, 2016 to September 30, 2016:

|                             | September 30, 2016 | December 31, 2015 |
|-----------------------------|--------------------|-------------------|
| Opening Balance             | -                  | -                 |
| Acquisition of VMS (note 4) | <b>3,348</b>       | -                 |
| Ending Balance              | <b>\$3,348</b>     | -                 |

If at any time VMS raises \$10,000,000 or more in equity financing over any consecutive 12 month period (not including any flow-through financing in excess of \$5 million during such period), the principal amount of the bridge loan then outstanding, together with accrued interest payable shall be repaid by VMS to Hudbay within 10 business days of the closing of such financing.

If the Bridge loan is not fully repaid by December 22, 2019, the remaining principal amount of the Bridge loan together with interest accrued shall become immediately due and payable.

VMS shall be entitled, without penalty, to prepay all or any portion of the outstanding principal amount of the Bridge loan and any interest accrued. Amounts prepaid will be applied first to accrued and unpaid interest and second to principal.

## 11. SHARE CAPITAL

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 \$482.

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.



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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 71.4%, risk free rate of return 0.57%, and expected maturity of two years.

In connection with the July financing, TNN issued 3,267,973 common shares and 6,423,467 flow-through shares, or 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.

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 72.7%, risk free rate of return 0.57%, and expected maturity of two years.

## 12. WARRANTS AND COMPENSATION WARRANTS

The following table reflects the continuity of warrants for the nine months ended September 30, 2016:

|   | 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/-                        |
| Granted (note 11)                       | 13,529,750         | 1,451,805                               | \$0.50/\$0.41                   |
| Expired                                 | (4,793,625)        | (575,460)                               | \$0.80/\$0.60                   |
| <b>Balance as at September 30, 2016</b> | <b>14,257,386</b>  | <b>1,451,805</b>                        | <b>\$0.49/\$0.41</b>            |

## 13. SHARE INCENTIVE PLAN

### Share Purchase Options

During the nine months ended September 30, 2016, 2,420,000 (2015: 1,075,000) share options were granted and the weighted average fair value of each share purchase option granted during the period, as estimated at the time of the grant, was \$0.28 (2015: \$0.14). This was calculated using the Black-Scholes option pricing model, using the following weighted average assumptions:

|                         | Nine months ended September 30, |           |
|-------------------------|---------------------------------|-----------|
|                         | 2016                            | 2015      |
| Share price             | \$0.28                          | \$0.31    |
| Exercise price          | \$0.28                          | \$0.31    |
| Risk free interest rate | 0.6%                            | 0.8%      |
| Expected life           | 4.0 years                       | 3.0 years |
| Expected volatility     | 70%                             | 70%       |
| Expected dividends      | Nil                             | nil       |

As at September 30, 2016, 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        | 14,620,529        | 3.4   | \$0.39                          | 11,387,197          | 3.2   | \$0.43                          |
| \$1.00–\$1.99        | 1,075,656         | 1.5   | \$1.27                          | 1,075,656           | 1.5   | \$1.27                          |
| \$2.00–\$2.50        | 510,000           | 2.7   | \$2.24                          | 510,000             | 2.7   | \$2.24                          |
|                      | <b>16,206,185</b> | <b>3.3</b>  | <b>\$0.51</b>                   | <b>12,972,853</b>   | <b>3.0</b>  | <b>\$0.57</b>                   |

### Deferred Share Units

During the nine months ended September 30, 2016, Nil (2015: 249,000) deferred share units were redeemed for cash at a redemption price of \$Nil (2015: \$0.35) per deferred share unit.



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### Restricted Share Units

During the nine months ended September 30, 2016, 671,711 (2015: 1,308,806) restricted share units were granted all of which vested immediately pursuant to directors' election to receive restricted share units in lieu of directors fees. A portion of restricted share units granted in 2015 were pursuant to management's election to receive restricted share units in lieu of a portion of their salary.

During the nine months ended September 30, 2016, Nil (2015: 270,046) restricted share units were redeemed for cash at a redemption price of \$Nil (2015: \$0.34) per restricted share unit for a total cash payment of \$Nil (2015: \$91).

The following table reflects the continuity of restricted share units for the nine months ended September 30, 2016:

|   | Number of<br>Restricted Share Units |
|---|-------------------------------------|
| Balance as at January 1, 2016           | 4,282,225                           |
| Granted                                 | 671,711                             |
| <b>Balance as at September 30, 2016</b> | <b>4,953,936</b>                    |

Included in the 4,953,936 restricted share units outstanding as at September 30, 2016, are 2,449,200 units that can only be settled for cash.

As at September 30, 2016, the weighted average remaining contractual life of the outstanding restricted share units was 1.9 years and 4,953,936 restricted share units were vested.

### Share Appreciation Rights

There was no activity in share appreciation rights during the nine months ended September 30, 2016. As at September 30, 2016, there were 906,000 share appreciation rights outstanding.

The weighted average fair value of each share appreciation right outstanding at the end of the period, as estimated as at September 30, 2016, was \$0.23 (2015: \$0.07). This was calculated using the Black-Scholes option pricing model, using the following assumptions:

|                         | Nine months ended September<br>30, |           |
|-------------------------|------------------------------------|-----------|
|                         | 2016                               | 2015      |
| Share price             | <b>\$0.43</b>                      | \$0.22    |
| Base price              | <b>\$0.33</b>                      | \$0.33    |
| Risk free interest rate | <b>0.5%</b>                        | 0.5%      |
| Expected life           | <b>3.0 years</b>                   | 2.5 years |
| Expected volatility     | <b>70%</b>                         | 70%       |
| Expected dividends      | <b>nil</b>                         | nil       |

As at September 30, 2016, the weighted average remaining contractual life of the outstanding share appreciation rights is 3.0 years and nil share appreciation rights were vested.





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

|   | Three months ended September 30, |                | Nine months ended September 30, |              |
|---|----------------------------------|----------------|---------------------------------|--------------|
|   | 2016                             | 2015           | 2016                            | 2015         |
| <b>Equity settled share-based payment transactions</b>  |                                  |                |                                 |              |
| Share purchase options  | \$59                             | \$39           | \$268                           | \$161        |
| Total equity settled share-based payment transactions   | 59                               | 39             | 268                             | 161          |
| <b>Cash settled share-based payment transactions</b>  |                                  |                |                                 |              |
| Deferred share units  | -                                | -              | -                               | 4            |
| Restricted share units  | -                                | 103            | 181                             | 317          |
| Share appreciation rights   | 11                               | 4              | 30                              | 18           |
| Mark-to-market adjustment for deferred and restricted share units and share appreciation rights | 82                               | (348)          | 1,286                           | (272)        |
| Total cash settled share-based payment transactions   | 93                               | (241)          | 1,497                           | 67           |
| <b>Accrued share-based payment transactions</b>   | 75                               | 74             | 223                             | 221          |
| <b>Total expense arising from share-based payment transactions</b>                              | <b>\$227</b>                     | <b>\$(128)</b> | <b>\$1,988</b>                  | <b>\$449</b> |

The carrying amounts of the liabilities relating to deferred and restricted share units and share appreciation rights as at September 30, 2016, are \$472, \$2,130 and \$215 respectively (at December 31, 2015: \$198, \$759 and \$38 respectively).

#### 14. GENERAL AND ADMINISTRATIVE EXPENSES

|                                | Three months ended September 30, |                | Nine months ended September 30, |                |
|--------------------------------|----------------------------------|----------------|---------------------------------|----------------|
|                                | 2016                             | 2015           | 2016                            | 2015           |
| <b>Expense by nature</b>       |                                  |                |                                 |                |
| Salaries, wages and benefits   | \$616                            | \$278          | \$1,143                         | \$776          |
| Severance                      | -                                | -              | -                               | 62             |
| Share-based payments (note 13) | 227                              | (128)          | 1,988                           | 449            |
| Professional fees              | 244                              | 39             | 662                             | 95             |
| Consulting fees                | 541                              | 50             | 966                             | 131            |
| Public company expenses        | 13                               | 23             | 183                             | 70             |
| Office and general             | 641                              | 162            | 1,201                           | 510            |
| Conference and travel          | 120                              | 48             | 416                             | 86             |
| Investor relations             | 148                              | 174            | 580                             | 448            |
| Business development           | 211                              | 526            | 641                             | 650            |
| Acquisition costs              | 77                               | -              | 2,650                           | -              |
| Depreciation and amortization  | 11                               | 14             | 33                              | 44             |
|                                | <b>\$2,849</b>                   | <b>\$1,186</b> | <b>\$10,463</b>                 | <b>\$3,321</b> |



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## 15. LOSS PER SHARE

|  | Three months ended<br>September 30, |             | Nine months ended September<br>30, |             |
|--|-------------------------------------|-------------|------------------------------------|-------------|
|  | 2016                                | 2015        | 2016                               | 2015        |
| Loss attributable to RNC<br>shareholders                               | <b>\$8,438</b>                      | \$1,326     | <b>\$17,954</b>                    | \$2,791     |
| Weighted average number of<br>common shares                            | <b>248,843,672</b>                  | 130,147,590 | <b>197,072,032</b>                 | 117,318,503 |
| Loss per share attributable to RNC<br>shareholders – basic and diluted | <b>\$0.03</b>                       | \$0.01      | <b>\$0.09</b>                      | \$0.02      |

The effect of potential issuances of shares under stock options, warrants, deferred share units and restricted share units would be anti-dilutive for the three and nine months ended September 30, 2016, and 2015, and accordingly, basic and diluted loss per share are the same.

## 16. RELATED PARTY TRANSACTIONS

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

| <b>Remuneration of key management</b>                 | Three months ended<br>September 30, |       | Nine months ended<br>September 30, |         |
|---|-------------------------------------|-------|------------------------------------|---------|
|   | 2016                                | 2015  | 2016                               | 2015    |
| Management salaries and benefits                      | <b>\$542</b>                        | \$245 | <b>\$1,375</b>                     | \$615   |
| Share-based payments – Management                     | <b>108</b>                          | 148   | <b>356</b>                         | 507     |
| Directors fees (note 13)                              | -                                   | -     | -                                  | 18      |
| Share-based payments – Directors                      | <b>8</b>                            | 93    | <b>189</b>                         | 284     |
| Mark-to-market adjustment for share-based<br>payments | <b>101</b>                          | (459) | <b>1,600</b>                       | (360)   |
|   | <b>759</b>                          | \$27  | <b>\$3,520</b>                     | \$1,064 |

Management salaries and benefits during the nine months ended September 30, 2016 include compensation for SLM's key management since the Corporation acquired SLM. Management salaries and benefits during the nine months ended September 30, 2015 were reduced by share-based payments made in lieu of a portion of salaries (Note 14).

## 17. ASSET RETIREMENT OBLIGATION

The asset retirement obligation represents the legal and contractual obligation associated with the eventual closure and reclamation of the Corporation's exploration camp at the West Raglan project, the 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.

|                               | September 30, 2016 | December 31, 2015 |
|-------------------------------|--------------------|-------------------|
| Balance as at January 1       | \$488              | \$467             |
| Acquisition of SLM (note 3)   | 348                | -                 |
| Acquisition of VMS (note 4)   | 321                | -                 |
| Change in discount rate       | 2                  | 17                |
| Change in foreign exchange    | 4                  | -                 |
| Accretion expense             | 13                 | 4                 |
| <b>Balance, end of period</b> | <b>\$1,176</b>     | <b>\$488</b>      |

## 18. FINANCIAL RISK – FACTORS

### **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 and from its long-term debt repayable in commodities. From time to time the Corporation may enter into commodity contracts to hedge the effects on revenues, and on long term debt repayable in commodities, of changes in the price of metals it produces. The total of these financial contracts represents 264 tonnes nickel purchased as at September 30, 2016. These contracts mature in December 2016 at an average forward price of US\$10,635 per tonne nickel. The fair value of these financial contracts at September 30, 2016 was \$159 and are included in accounts payable and accrued liabilities.

For a majority of nickel and gold delivered to the customers under the offtake or tolling agreements, the quantities and timing of settlement specified in the financial contracts matches final pricing settlement periods. As at September 30, 2016, the Corporation's exposure to commodity price is limited to inventory of gold ore and gold metal and accounts receivable associated with provisional pricing of nickel and copper ore sales. A 1% strengthening or weakening of the gold, nickel and copper prices would have resulted in an approximate \$33 decrease/increase, \$8 decrease/increase, and \$76 decrease/increase respectively, in the Corporation's loss and comprehensive loss for the nine months ended September 30, 2016. Refer to Note 11 for the exposure arising from the embedded nickel and gold agreements arising from the Senior Secured Facility. See note 25.

### **Fair Value Risk**

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



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| <b>Other Financial Liabilities</b>                      | As at September 30,<br>2016 |                   | As at December 31, 2015 |            |
|---|-----------------------------|-------------------|-------------------------|------------|
|   | <b>Carrying<br/>value</b>   | <b>Fair Value</b> | Carrying<br>value       | Fair Value |
| Senior secured facility with LRC (note 10)<br>(level 2) | <b>\$24,828</b>             | <b>\$24,828</b>   | \$-                     | \$-        |
| Contribution loan from Hudbay (note 10)<br>(level 2)    | <b>10,025</b>               | <b>10,025</b>     | -                       | -          |
| Bridge loan from Hudbay (note 10) (level<br>2)          | <b>3,348</b>                | <b>3,348</b>      | -                       | -          |

As at September 30, 2016, the Corporation is committed to minimum future principal and interest payments for its long term debt as follows:

|                                |           |
|--------------------------------|-----------|
| Year ending September 30, 2017 | \$ 11,401 |
| Year ending September 30, 2018 | 11,156    |
| Year ending September 30, 2019 | 2,418     |

As disclosed in note 11, repayments under the contribution and the bridge loans are dependent on and repaid on a net basis from the gross profits generated by the Reed Mine and as such future principal and interest payments in cash are not expected.

**19.COMMITMENTS*****Royalties***

The Corporation is required to pay Beta Hunt royalties to (i) Consolidated Minerals, 3% (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% in respect of gold and nickel; (iii) St Ives Gold Mining Company Pty Limited, 1% in respect of nickel and 6% in respect of gold; and (iv) Resource Income Fund LP, 0.5% in respect of nickel and 1.5% in respect of gold. These royalties are the only additional royalties to the ones described in the audited consolidated financial statements for the year ended December 31, 2015.

***Operating Leases***

As at September 30, 2016 the Corporation had outstanding operating lease commitments totalling \$533, all of which had maturities of less than three years.

**20.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. The Corporation views this claim to be completely without merit and is in the process of vigorously defending the claim. The outcome of this matter is not determinable and no provision has been recognized in the financial statements for this claim.

**21.OTHER EXPENSES (INCOME), NET**

|   | Three months ended |           | Nine months ended |            |
|---|--------------------|-----------|-------------------|------------|
|   | September 30,      |           | September 30,     |            |
|   | 2016               | 2015      | 2016              | 2015       |
| <b>Royal Nickel Corporation</b>                     |                    |           |                   |            |
| Share of loss/(gain) of associates (note 7)         | 5                  | 6         | (135)             | (20)       |
| Gain on dilution of associate (note 7)              | -                  | -         | (83)              | -          |
| Unrealized loss on derivative financial instruments | -                  | 121       | -                 | 332        |
| Gain on deemed disposition of associate (note 3)    | -                  | -         | (71)              | -          |
| Unrealized gain (loss) on other investment          | (80)               | 10        | (120)             | 10         |
| Commodity put contract costs (note 18)              | 174                | -         | 384               | -          |
| <b>Salt Lake Mining Pty Ltd.</b>                    |                    |           |                   |            |
| Change in fair value – senior secured facility      | 2,195              | -         | 4,082             | -          |
| Accretion – senior secured facility                 | 537                | -         | 1,040             | -          |
| Finance costs                                       | 517                | -         | 1,069             | -          |
| <b>VMS Ventures Inc.</b>                            |                    |           |                   |            |
| Accretion – contribution loan                       | 299                | -         | 556               | -          |
| <b>Other</b>  |                    |           |                   |            |
| Finance and other income                            | (11)               | (26)      | (212)             | (40)       |
| Other expense                                       | 99                 | -         | 99                | -          |
| Foreign exchange loss (gain)                        | 190                | -         | (140)             | -          |
| Gain on sale of property, plant and equipment       | -                  | -         | (6)               | (58)       |
| Gain on sale of mineral property interest           | -                  | (70)      | -                 | (70)       |
|   | <b>3,925</b>       | <b>41</b> | <b>6,463</b>      | <b>154</b> |

## 22.SUPPLEMENTAL CASH FLOW INFORMATION

### *Other expense (income)*

|  | Three Months ended<br>September 30, |      | Nine Months ended<br>September 30, |      |
|--|-------------------------------------|------|------------------------------------|------|
|  | 2016                                | 2015 | 2016                               | 2015 |
| Share of gain of associates                        | 5                                   | 6    | (135)                              | (20) |
| Gain on dilution of associate                      | -                                   | -    | (83)                               | -    |
| Gain on deemed disposition of associate            | -                                   | -    | (71)                               | -    |
| Gain on sale of property, plant and equipment      | -                                   | -    | (6)                                | (58) |
| Gain on sale of mineral property interests         | -                                   | (70) | -                                  | (70) |
| Unrealized loss on derivative financial instrument | -                                   | 121  | -                                  | 332  |
| Accretion of asset retirement obligation           | 7                                   | 1    | 13                                 | 3    |
| Unrealized gain on other investment                | (80)                                | 10   | (120)                              | 10   |
| Accretion – long-term debt                         | 837                                 | -    | 1,596                              | -    |
| Change in fair value – senior secured facility     | 2,195                               | -    | 4,082                              | -    |
|  | <b>2,964</b>                        | 68   | <b>5,276</b>                       | 197  |

### *Other supplemental information*

|   | Three Months ended<br>September 30, |      | Nine Months ended<br>September 30, |      |
|---|-------------------------------------|------|------------------------------------|------|
|   | 2016                                | 2015 | 2016                               | 2015 |
| Interest paid   | \$356                               | \$-  | \$971                              | \$7  |
| Share-based payments capitalized in mineral property interests              | 99                                  | (12) | 578                                | 254  |
| Depreciation of property, plant and equipment in mineral property interests | 44                                  | 45   | 131                                | 138  |
| Mineral property interests in accounts payable and accrued liabilities      | 542                                 | 852  | 542                                | 852  |
| Property, plant and equipment in accounts payable and accrued liabilities   | 31                                  | -    | 31                                 | -    |

## 23. SEGMENTED INFORMATION

The Corporation has exploration and evaluation activities in Canada and production activities in Canada and Australia. During 2016, the Corporation acquired the Beta Hunt mine in Australia and the Reed Mine in Canada and identified its reportable segments as defined below.

| Three Months ended<br>September 30, 2016 | Dumont | Beta Hunt | West             | Reed           | Corporate                          | Total    |
|--|--------|-----------|------------------|----------------|------------------------------------|----------|
|  | Canada | Australia | Raglan<br>Canada | Mine<br>Canada | and other<br>exploration<br>Canada |          |
| Revenue                                  | \$-    | \$3,016   | \$-              | \$7,724        | \$-                                | \$10,740 |
| Production and toll-processing costs     | -      | 5,224     | -                | 4,915          | -                                  | 10,139   |
| Royalty expense                          | -      | 281       | -                | -              | -                                  | 281      |
| Depreciation and amortization            | -      | (85)      | -                | 1,756          | -                                  | 1,671    |
| General and administration               | 28     | 1,085     | (77)             | 161            | 1,652                              | 2,849    |
| <b>Operating income (loss)</b>           | (28)   | (3,489)   | 77               | 892            | (1,652)                            | (4,200)  |
|  |        |           |                  |                |                                    |          |
| Nine Months ended<br>September 30, 2016  | Dumont | Beta Hunt | West             | Reed           | Corporate                          | Total    |
|  | Canada | Australia | Raglan<br>Canada | Mine<br>Canada | and other<br>exploration<br>Canada |          |
| Revenue                                  | \$-    | \$8,923   | \$-              | \$14,335       | \$-                                | \$23,258 |
| Production and toll-processing costs     | -      | 10,210    | -                | 8,663          | -                                  | 18,873   |
| Royalty expense                          | -      | 852       | -                | -              | -                                  | 852      |
| Depreciation and amortization            | -      | 666       | -                | 2,938          | -                                  | 3,604    |
| General and administration               | 113    | 1,947     | 30               | 282            | 8,091                              | 10,463   |
| <b>Operating income (loss)</b>           | (113)  | (4,752)   | (30)             | 2,452          | (8,091)                            | (10,534) |
|  |        |           |                  |                |                                    |          |
| Property, plant and equipment            | 538    | 44,300    | 385              | 14,093         | 105                                | 59,421   |
| Mineral property interest                | 62,463 | -         | 10,491           | -              | 13,586                             | 86,684   |
| Total assets                             | 63,001 | 52,956    | 10,876           | 20,238         | 21,856                             | 168,927  |

Prior to 2016, the Corporation had one reportable segment.

## 24. SUBSEQUENT EVENTS

On October 3, 2016, the Corporation closed a US\$16.5 million senior secured gold loan and US\$6.5 million working capital facilities with Auramet International LLC ("Auramet").

The senior secured gold loan will be repaid by the delivery of 16,800 gold ounces over a thirty-month period commencing on February 28, 2017 (560 ounces per month). The Corporation also granted call options to Auramet on 1,000 gold ounces per month, with a strike price of A\$1,900 per ounce (\$1,908 per ounce) and expiration dates from February 28, 2017 through September 30, 2018.



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The US\$6.5 million in working capital facilities are comprised of a US\$5.5 million in-process gold facility and a US\$1.0 million in-process nickel facility. These facilities bear interest at a rate of LIBOR plus 4.5% per annum, and form 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.

In conjunction with the senior secured gold loan, the Corporation and Auramet implemented a forward sale gold price protection program covering 1,300 gold ounces per month at an average price of A\$1,728 per ounce (\$1,735 per ounce) over a fifteen month period from February 2017 through April 2018.

On October 3, 2016, the senior secured MPA facility was fully repaid using the US\$16,003 (\$21,023) net proceeds from the senior secured gold loan, US\$1,899 (\$2,495) proceeds from the in-process gold facility, and a US\$1,026 (\$1,348) payment by the Corporation.