ROYAL NICKEL CORPORATION
(Doing Business as RNC Minerals)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015

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Management's Responsibility for Financial Reporting

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

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

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

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

/s/ Mark Selby

Mark Selby
President and Chief Executive Officer

/s/ Tim Hollaar

Tim Hollaar
Chief Financial Officer

Toronto, Canada

April 1, 2017

April 1st, 2017

Independent Auditor's Report

To the Shareholders of Royal Nickel Corporation

We have audited the accompanying consolidated financial statements of Royal Nickel Corporation and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2016 and 2015 and the consolidated statements of comprehensive loss, cash flows and changes in equity for the years ended December 31, 2016 and 2015, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Royal Nickel Corporation and its subsidiary as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years ended December 31, 2016 and 2015 in accordance with International Financial Reporting Standards.

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

PricewaterhouseCoopers LLP[1]

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

Royal Nickel Corporation

Consolidated Balance Sheets

(Expressed in thousands of Canadian dollars)

	December 31, 2016	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	**$4,845**	$9,634
Amounts receivable and prepaid expenses (note 5)	**5,463**	690
Tax credits receivable	**106**	25
Inventories (note 6)	**5,422**	-
Derivative financial assets (note 12)	**2,195**	-
	18,031	10,349
Non-current assets		
Investment in associate (note 7)	**1,666**	1,525
Other investment	**130**	20
Deposits and prepaid expenses	**24**	3
Tax credits receivable	**126**	150
Property, plant and equipment (note 8)	**65,969**	1,151
Intangible assets	**50**	71
Mineral property interests (note 9)	**72,886**	69,290
Derivative financial assets (note 12)	**410**	-
Total assets	**$159,292**	$82,559
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**$16,878**	$1,565
Share incentive plans (note 15)	**1,706**	957
Current portion of long-term debt (note 10)	**2,991**	-
Deferred revenue (note 11)	**20,951**	-
Finance leases (note 22)	**1,383**	26
Derivative financial liability (note 12)	**365**	5
	44,274	2,553
Non-current liabilities		
Share appreciation rights (note 15)	**108**	38
Deferred revenue (note 11)	**11,731**	-
Asset retirement obligation (note 19)	**1,223**	488
Deferred income tax liability (note 20)	**12,869**	11,202
Derivative financial liability (note 12)	**571**	-
Other non-current liabilities and provisions	**647**	-
Total liabilities	**71,423**	14,281
EQUITY		
Share capital (note 13)	**157,919**	113,051
Contributed surplus	**27,525**	24,818
Accumulated other comprehensive income	**87**	-
Deficit	**(101,565)**	(72,704)
Equity attributable to RNC shareholders	**83,966**	65,165
Non-controlling interests	**3,903**	3,113
Total equity	**87,869**	$68,278
Total liabilities and equity	**$159,292**	$82,559

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

Going concern (note 1)
Commitments and contingent liability (notes 22 and 23)
Subsequent events (note 28)

Consolidated Statement of Loss and Comprehensive Loss

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

	Year ended December 31, 2016	2015
Revenue	**$32,681**	$-
Cost of Operations		
Production and toll-processing costs	**20,219**	-
Royalty expense	**905**	-
General and administrative (note 16)	**11,258**	5,558
Impairment charges (notes 3, 4 and 9)	**17,445**	-
Depreciation and amortization	**6,155**	-
Operating Loss	**23,301**	5,558
Other expenses, net (note 24)	**4,842**	144
Loss before income tax	**28,143**	5,702
Deferred income tax expense (recovery) (note 20)	**474**	(86)
Loss for the period	**28,617**	5,616
Attributable to:		
RNC shareholders	*28,861*	*5,322*
Non-controlling interests	*(244)*	*294*
Other comprehensive loss for the period		
Currency translation adjustments	87	-
Comprehensive loss for the period	**28,704**	**5,616**
Attributable to:		
RNC shareholders	*28,948*	*5,322*
Non-controlling interests	*(244)*	*294*
Loss per share attributable to RNC shareholders Basic and diluted (note 17)	**$0.13**	$0.04

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

Royal Nickel Corporation

Consolidated Statement of Cash Flows

(Expressed in thousands of Canadian dollars)

	Year ended December 31, 2016	2015
Cash flow provided by (used in)		
OPERATING ACTIVITIES		
Loss for the period	**$(28,617)**	$(5,616)
Excess of deferred revenues received over amounts earned	**34,530**	-
Items not involving cash:		
Depreciation and amortization	**6,155**	59
Deferred income tax (recovery) expense (note 20)	**474**	(86)
Non-cash impairment charges (notes, 3, 4 and 9)	**17,445**	-
Other expenses (note 25)	**2,514**	209
Deemed repayments of contribution loan from gross profits of the Reed Mine	**(6,408)**	-
Shares issued for consulting services	**792**	183
Foreign exchange gain	**995**	-
Share-based payments	**2,314**	574
	30,194	(4,677)
Changes in non-cash working capital		
Amounts receivable and prepaid expenses	**3,498**	(240)
Inventories	**(1,609)**	-
Share based plan redemptions for cash	**-**	(225)
Accounts payable and accrued liabilities	**5,755**	(445)
	37,838	(5,587)
INVESTING ACTIVITIES		
Expenditures on mineral property interests	**(6,987)**	(8,967)
Collateral investment	**-**	4,000
Net tax credits and mining duties received	**-**	1,190
Acquisition of property, plant and equipment	**(19,693)**	-
Cash acquired on acquisition of SLM	**4,215**	-
Cash acquired on acquisition of VMS	**1,167**	-
Investment in SLM	**(2,500)**	-
Investment in associate	**(125)**	-
Sale of NSR, net of transaction costs	**-**	8,653
Proceeds on sale of property, plant and equipment	**-**	190
	(23,923)	5,066
FINANCING ACTIVITIES		
Issuance of long-term debt	**3,140**	-
Issuance of shares, net of costs	**18,026**	7,233
Exercise of options and warrants	**263**	-
Repayment of senior secured facilities	**(40,659)**	-
Private placement – TNN	**1,000**	-
Principal payments on finance leases	**(474)**	(21)
	(18,704)	7,212
Change in cash and cash equivalents	**(4,789)**	6,691
Cash and cash equivalents, beginning of year	**9,634**	2,943
Cash and cash equivalents, end of year	**4,845**	$9,634
Components of cash and cash equivalents:		
Cash	**182**	$530
Cash equivalents	**4,663**	9,104
	4,845	$9,634

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

Royal Nickel Corporation

Consolidated Statement of Changes in Equity

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

	Share Capital		Contributed Surplus	Accumulated Other Comprehensive income	Deficit	Equity attributable to RNC shareholders	Non-controlling interest	Total Equity
	Number	Amount						
Balance as at January 1, 2016	**131,325,941**	**$113,051**	**$24,818**	**-**	**$(72,704)**	**$65,165**	**$3,113**	**$68,278**
Shares issued for consulting services	3,453,443	792	-	-	-	792	-	792
Acquisition of SLM – common shares initial acquisition (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 13)	18,060,000	9,211	-	-	-	9,211	-	9,211
Public Offering and overallotment issue costs (note 13)	-	(1,268)	91	-	-	(1,177)	-	(1,177)
Private placement – flow through common shares	3,274,000	1,670	-	-	-	1,670	-	1,670
Issue costs – warrants (note 10)	-	-	262	-	-	262	-	262
Flow-through share premium on issuance	-	(311)	-	-	-	(311)	-	(311)
Flow-through issue costs	-	(151)	15	-	-	(136)	-	(136)
Private placement and overallotment (note 13)	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 13)	-	-	-	-	-	-	1,000	1,000
Decrease in minority interest	-	-	55	-	-	55	(55)	-
Exercise of warrants for cash	470,058	209	(32)	-	-	177	-	177
Exercise of stock options for cash	256,667	389	(303)	-	-	86	-	86
Share-based payments	-	-	1,546	-	-	1,546	-	1,546
Income (loss) for the period	-	-	-	-	(28,861)	(28,861)	244	(28,617)
Other comprehensive loss	-	-	-	87	-	87	-	87
Balance as at December 31, 2016	**276,161,507**	**$157,919**	**$27,525**	**$87**	**$(101,565)**	**$83,966**	**$3,903**	**$87,869**

	Share Capital		Contributed		Equity attributable	Non-	Total
	Number	Amount	Surplus	Deficit	to RNC shareholders	controlling interest	Equity
Balance as at January 1, 2015	**109,656,340**	**$106,297**	**$24,296**	**$(67,382)**	**$63,211**	**$3,339**	**$66,550**
Shares issued for consulting services	696,118	183	-	-	183	-	183
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	-	(273)	(6)	-	(279)	-	(279)
Increase in non-controlling interest arising from further acquisition of TNN	-	-	(68)	-	(68)	68	-
Share-based payments	-	-	515	-	515	-	515
Warrant valuation – private placement (Note 13)	-	(81)	81	-	-	-	-
Loss and comprehensive loss for the period	-	-	-	(5,322)	(5,322)	(294)	(5,616)
Balance as at December 31, 2015	131,325,941	$113,051	$24,818	$(72,704)	$65,165	$3,113	$68,278

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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

The consolidated financial statements of the Corporation as at and for the year ended December 31, 2016, are comprised of RNC, its subsidiaries True North Nickel Inc. ("**TNN**"), Salt Lake 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 focused 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 consolidated financial statements have been prepared using International Financial Reporting Standards ("**IFRS**") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

As at December 31, 2016, the Corporation had negative working capital of $26,243, an accumulated deficit of $101,565 and incurred a loss of $28,617 for the year then ended. Working capital included cash and cash equivalents of $4,845. These circumstances indicate the existence of material uncertainties that cast significant doubt upon the Corporation's ability to continue as a going concern and accordingly, the appropriateness of the use of IFRS applicable to a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

The Corporation's ability to continue future operations and fund its operations and successfully operate its Beta Hunt Mine (SLM) and VMS' interest in the Reed Mine is dependent on management's ability to successfully ramp up its Beta Hunt Mine gold production and 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. In 2016, the Corporation secured offtake and alternative financing arrangements with

Auramet International LLC ("Auramet") (Notes 10 and 11). While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Corporation or that they will be available on terms which are acceptable to the Corporation. If management is unable to obtain new funding, the Corporation may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these consolidated financial statements which were approved by the board of directors on April 1, 2017.

2. BASIS OF PREPARATION AND ADOPTION OF NEW ACCOUNTING PRINCIPLES

(a) Basis of preparation

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

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

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

Subsidiaries are all entities, including structured entities, over which the Corporation has control. The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date control is transferred to the Corporation and are de-consolidated from the date control ceases. Accounting policies of subsidiaries are consistent with the policies adopted by the Corporation. All intercompany transactions, balances and unrealized gains or losses from intercompany transactions are eliminated on consolidation.

Non-Controlling Interests
Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net income (loss) and other comprehensive income (loss) is recognized directly in equity even if the results of the non-controlling interests have a deficit balance.

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

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

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

Under the equity method, the investment is initially recognized at cost, including transaction costs, and the carrying amount is increased or decreased to recognize the Corporation's share of profits or losses of associates after the date of acquisition. The Corporation's share of profits or losses of associates is recognized in the consolidated statement of comprehensive loss. Adjustments are made to align inconsistencies between the Corporation's accounting policies and its associate's policies, if any, before applying the equity method. The Corporation assesses at each period-end whether there is any objective evidence that its investments in associates are impaired. If impaired, the carrying value of the Corporation's investment in associates is written down to its estimated recoverable amount (being the higher of fair value less costs of disposal and value in use) and charged to the consolidated statement of comprehensive loss.

(b) Basis of measurement

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

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

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

(c) Segment Reporting

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

(d) Revenue recognition

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

(e) Financial instruments

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

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

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

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

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

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

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

Financial instruments – Fair value

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

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

The Corporation's financial instruments consist of the following:

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

Financial liabilities	Classification
Accounts payable and accrued liabilities	Other financial liabilities
Derivative financial liabilities	Held for trading
Long-term debt	Other financial liabilities

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

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

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

Joint arrangements and interest in other entities

Judgement is required in the proper accounting for joint arrangements per IFRS 11 *Joint arrangements* and IAS 28 *Investments in associates and joint ventures*, including the determination of joint control and significant influence. Joint control and significant influence are determined by assessment of the relevant agreements and differences in that determination could have a material effect on the financial statements. The Corporation has determined that neither joint control nor significant influence exists in the Reed Mine arrangement. The Corporation's undivided interests in the Reed Mine's assets, liabilities, revenues, expenses and cash flows are nevertheless accounted for in a manner similar to a joint operation.

(f) Leases

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

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

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

(g) Business Combinations

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

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

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

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

The Corporation considers all relevant facts and circumstances in determining the acquisition date. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values of the assets at the acquisition date transferred by the Corporation, the liabilities, including contingent consideration, incurred and payable by the Corporation to former owners of the acquiree and the equity interests issued by the Corporation.

The measurement date for equity interests issued by the Corporation is the acquisition date. Acquisition-related costs are expensed as incurred.

It generally requires time to obtain the information necessary to identify and measure the following as of the acquisition date: (i) the identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquiree; (ii) the consideration transferred in exchange for an interest in the acquiree; (iii) in a business combination achieved in stages, the equity interest in the acquiree previously held by the acquirer; and (iv) the resulting goodwill or gain on a bargain purchase.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Corporation reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Corporation will retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date.

During the measurement period, the Corporation will also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Corporation receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable and shall not exceed one year from the acquisition date. Non-controlling interests are recorded at their proportionate share of the fair value of identifiable net assets acquired on initial recognition. The excess of: (i) total consideration transferred by the Corporation, measured at fair value, including contingent consideration, and (ii) the non-controlling interests in the acquiree, over the fair value of net assets acquired, is recorded as goodwill.

(h) Mineral property interest

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

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

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

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

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

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

(i) Commercial production

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

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

Commercial production will be declared on the first day of the calendar month following achievement of the above milestones. Once in commercial production, the capitalization of certain mine development and construction costs cease. Subsequent costs are either regarded as forming part of the cost of inventory or expensed. However, any costs relating to mining asset additions or improvements or mineable reserve development are assessed to determine whether capitalization is appropriate. Since SLM's acquisition and up to December 31, 2016, the Beta-Hunt gold mine has not reached commercial production.

(j) Property, plant and equipment

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

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

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

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

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

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

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

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

Mining equipment is recorded at acquisition cost. Depreciation is provided for using the declining balance method at a rate of 30%, with the exception of depreciation of the mining equipment, 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.

(k) Inventories

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

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

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

(l) Identifiable intangible assets

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

(m) Borrowing costs

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

(n) Impairment of non-financial assets

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

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

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

(o) Flow-through shares

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

(p) Cash and cash equivalents

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

(q) Provisions

A provision is recognized when the Corporation has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(r) Restoration, rehabilitation and environmental obligations

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

(s) Share-based payment transactions

Share Options

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

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

Deferred and Restricted Share Units and Share Appreciation Rights

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

(t) Income taxes

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

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

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

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

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

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

(u) Loss per share

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

(v) Share capital and warrants

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

(w) Refundable tax credits for mining exploration expenses

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

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

Many of the amounts included in the consolidated financial statements require management to make judgments and/or estimates. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the consolidated financial statements.

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

(i) Business combinations

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

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

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

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

As at December 31, 2016, management determined that the technical feasibility and commercial viability had not yet been established for the Dumont Nickel Project and as such the mineral properties are still considered to be at the exploration and evaluation stage.

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

(iii) Impairment of non-financial assets

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

The estimate of recoverable amounts with respect to non-financial assets are based on numerous assumptions and may differ significantly from actual recoverable amounts. The recoverable amounts are based, in part, on certain factors that may be partially or totally outside of the Corporation’s control. This evaluation involves a comparison of the estimated recoverable amounts of non-financial assets to their carrying values. The recoverable amount estimates may differ from actual recoverable amounts and these differences may be significant and could have a material impact on the Corporation’s financial position and results of operations. Asset groups are reviewed for an indication of impairment at each balance sheet date or when a triggering event is identified. This determination requires significant judgment. In particular, for assets in the exploration and evaluation stage, factors which could trigger an impairment review include, but are not limited to, an expiry of the right to explore in the specific area during the period or will expire in the near future, and is not expected to be renewed; substantive exploration and evaluation expenditures in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the Corporation has decided to discontinue such activities in the specific area; sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the assets is unlikely to be recovered in full from successful development or by sale; significant negative industry or economic trends; interruptions in exploration and evaluation activities; and a significant drop in current or forecasted nickel prices. Reference is made to notes 3, 4, and 9 for descriptions of non-financial impairment charges in 2016.

(iv) Income taxes

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

(v) Going concern

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

(vi) Provision for asset retirement obligations

The Corporation’s exploration activities are subject to various laws and regulations governing the protection of the environment. The Corporation recognizes management’s best estimate for asset retirement obligations in the period in which they are incurred. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, timing of estimated cash flows and discount rates could affect the carrying amount of this provision.

(vii) Determination of significant influence

Management determines its ability to exercise significant influence over an investment in shares of other companies by looking at its percentage interest and other qualitative factors including but not limited to its voting rights, representation on the board of directors, participation in policy-making processes, material transactions between the Corporation and the associate, interchange of managerial personnel, provision of essential technical information and operating involvement.

(viii) Derivative financial instruments

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

(y) Recent accounting pronouncements not yet adopted

IFRS 2 - Share based payments

In June 2016, the IASB issued an amendment to IFRS 2 to clarify the measurement for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. The mandatory effective date of the amendment to IFRS 2 is for annual periods beginning on or after January 1, 2018. The Corporation is currently evaluating the impact of adopting IFRS 2 in its consolidated financial statements.

IFRS 9 – Financial instruments, classification and measurement (“IFRS 9”)

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

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

IFRS 15 - Revenue from Contracts with Customers

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

IFRS 16 – Leases

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

3. ACQUISITION OF SLM

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 acquired 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 of control, the results from operations are consolidated in the statement of loss and comprehensive loss.

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 20% interest already held at the time of the acquisition of control was deemed disposed at a fair value estimated at $2,766 resulting in a gain of $71 which was recorded in the consolidated statement of loss and comprehensive loss.

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
Purchase consideration	$13,829

Fair value of net assets acquired

Cash and cash equivalents	$4,215
Accounts receivable	2,048
Inventories	3,813
Property, plant, and equipment	29,336
Accounts payable and accrued liabilities	(9,149)
Finance lease obligation	(1,078)
Long-term debt	(21,987)
Asset retirement obligation	(348)
Deferred tax liablity	(930)
Net identifiable assets	5,920
Excess purchase price	7,909
Purchase consideration	13,829

The total purchase price was allocated to the assets acquired and liabilities assumed based on the fair value of the total consideration at the closing date of the transaction. The Company used a discounted cash flow model using a weighted average cost of capital of 15% to estimate the fair values of the Beta Hunt Mine. The fair value was allocated between the gold and nickel mines based on their relative contribution to the discounted cash flows over the projection period using their respective expected future cash flows. Expected future cash flows are based on estimates of future production and commodity prices, operating costs and forecasted capital expenditures based on the respective life of mine plan as at the acquisition date. The purchase price consideration exceeded the fair value of net identifiable assets acquired. As a result, a loss of $7,909 was taken as an impairment charge during the fourth quarter of 2016 upon finalization of the business combination accounting.

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 subsequent acquisition of the non-controlling interest has been accounted for as an equity transaction resulting in a transfer from non-controlling interest to share capital.

The Corporation’s consolidated financial statements include $10,004 in revenues and an operating loss of $9,696 from SLM for the period from March 15, 2016 to December 31, 2016, inclusive of the impairment loss referred to above.

4. ACQUISITION OF VMS

On April 27, 2016, the Corporation completed the acquisition of 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 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
Purchase consideration	$18,987

Net assets acquired

Cash and cash equivalents	$400
Short-term investments	767
Accounts receivable and prepaid expenses	5,915
Receivable due from RNC	3,507
Property, plant and equipment	22,040
Mineral property interest	1,923
Accounts payable and accrued liabilities	(520)
Other non-current liabilities and provisions	(600)
Asset retirement obligation	(386)
Long-term debt – Hudbay	(18,553)
Net identifiable assets	14,493
Excess purchase price	4,494
Purchase consideration	$18,987

The total purchase price was allocated to the assets acquired and liabilities assumed based on the fair value of the total consideration at the closing date of the transaction. The Corporation used a discounted cash flow model using a weighted average cost of capital of 11% to estimate the fair values of the interest in the Reed Mine. Expected future cash flows are based on estimates of future production and commodity prices, operating costs and forecast capital expenditures based on the respective life of mine plan as at the acquisition date. The purchase price consideration exceeded the fair value of net identifiable assets acquired. As a result, a loss of $4,494 was taken as an impairment charge during the fourth quarter of 2016 upon finalization of the business combination accounting.

With the exception of the Reed Exploration Extension Properties JV (note 9), no value was allocated to the mineral properties acquired after a review of the portfolio of properties owned by VMS. Management does not plan to conduct significant exploration on these properties in the near future and claims that will expire will not be renewed.

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

The Corporation's consolidated financial statements include $22,677 in revenues an operating loss of $1,729 from VMS for the period from April 28, 2016 to December 31, 2016. If the transaction was completed on January 1, 2016, VMS would have contributed additional revenues of $8,950, for the period of January 1, 2016 to April 28, 2016. VMS had a net profit of $2,708 from January 1, 2016 to April 28, 2016.

5. AMOUNTS RECEIVABLE AND AURAMET AGREEMENTS

Amounts receivable consist of the following:

	December 31, 2016	December 31,2015
Trade accounts receivable	**$3,596**	$-
Deposits	**73**	-
Prepaid expenses	**1,169**	275
Commodity taxes	**519**	388
Other	**106**	27
	$5,463	$690

Trade accounts receivable represents the provisional value of SLM nickel in ore shipped for milling, for which the significant risks and rewards have transferred to a third party; and

SLM – Working Capital Facilities and Derivatives – Gold and Nickel

On October 3, 2016, the Corporation closed a US$16,500 ($22,155) Senior Secured Gold Loan and US$6,500 ($8,728) working capital facilities with Auramet. The Senior Secured Gold Loan is repayable by the physical delivery of 16,800 gold ounces over a thirty month period commencing on February 28, 2017. The Corporation also granted call options to Auramet on 1,000 gold ounces per month, with a strike price of AU$1,900 per ounce and expiration dates from February 28, 2017 through September 30, 2018 (Note 12). The US$6,500 working capital facilities are comprised of a US$5,500 ($7,385) in-process gold facility and a US$1,000 ($1,343) million in-process nickel facility. These facilities take into account time value and 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 AUD$1,720 per ounce over a fifteen month period from February 2017 through April 2018 (note 12). The proceeds from these agreements were used to fully repay the senior secured Metal Prepay Agreement facility described in note 10. On December 31, underlying sales invoices totalling $5,728 and $593 were outstanding on the gold and nickel working capital facilities, respectively. The US$16,500 Senior Secured Gold Loan and the gold working capital facility were classified as deferred revenue and consequently will be relieved monthly to sales as gold is delivered over the terms of the contracts (note 11). Under the nickel working capital facility, Auramet is considered to purchase SLM's trade accounts receivable at a discount. The original receivables are de-recognized as the risks and rewards are substantially all transferred to Auramet, in particular the commodity price risks arising from the provisional pricing mechanisms between SLM and its customer.

The security granted to Auramet in connection with the Senior Secured Gold Loan includes a pledge by RNC of its shares in SLM and its shares of VMS. The Senior Secured Gold Loan is repayable at any time without penalty.

VMS – Working Capital Facility - Copper

On December 19, 2016, the Corporation closed a US$6,500 ($8,728) Senior Secured Copper Loan and US$5,000 working capital facility with Auramet. The Senior Secured Copper Loan is repayable by the physical delivery of 2,825,000 pounds of copper over a twelve month period commencing on January 31, 2017. The Corporation also granted call options to Auramet on 2,000,000 pounds of copper, with a strike price of US$3.30 per pound and expiration dates from September 29, 2017 through December 29, 2017 (Note 12). The US$5,000 ($6,714) copper working capital facility takes into account time value and bears interest at a rate of LIBOR plus 4.5% per annum, and form part of agreements providing for the purchase by Auramet at market rates of all VMS's share of the copper produced by the Reed mine during the term of the Senior Secured Copper Loan. The proceeds from these agreements were used to fully repay the Contribution Loan from Hudbay described in note 10. On December 31, 2016, underlying sales invoices totalling $5,701 were outstanding on the copper working capital facility. The US$6,500 Senior Secured Copper Loan was classified as deferred revenue and consequently will be relieved monthly to sales as copper is delivered over the term of the contract. The copper working capital facility is in essence the purchase of the amounts receivable at a discount by Auramet and following the purchase, the receivables are de-recognized as collectability and community price risks are transferred to Auramet which collects directly from the buyer.

The security granted to Auramet in connection with the Senior Secured Copper Loan includes a pledge by RNC of its shares in VMS. The Senior Secured Copper Loan is repayable at any time without penalty.

6. INVENTORIES

Inventories consist of the following:

	December 31, 2016	December 31,2015
Gold ore and gold in process	**$5,014**	$-
Supplies	**365**	-
Fuel	**43**	-
	$5,422	$-

7. INVESTMENTS IN ASSOCIATE

At December 31, 2016, the Corporation held a direct 15.6% interest in SPC (2015 – 19.1%).

Management has determined that its investment in the common shares of SPC still gives it significant influence over SPC. As a result, the Corporation continued to apply the equity method of accounting for its investment in SPC. SPC's financial year-end is August 31 to satisfy the reporting requirements of its majority shareholder. The Corporation's share of SPC's loss and comprehensive loss was calculated using SPC's financial results from December 1, 2015, to November 30, 2016, and taking into account any changes in the subsequent period from December 1 to December 31, 2016, that would materially affect the results.

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

	Year ended December 31,	
	2016	2015
Share of income (loss) and comprehensive income (loss)	**$(67)**	$49

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

	December 31, 2016	December 31, 2015
Balance as at January 1	**$1,525**	$1,476
Acquisition	**125**	-
Gain on dilution of associate	**83**	-
Share of (loss) income and comprehensive (loss) income	**(67)**	49
Balance, end of period	**$1,666**	$1,525

8. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Vehicles	Camp, Furniture and equipment	Beta Hunt mine - Gold	Beta Hunt mine - Nickel	Reed mine	Under-ground Equip-ment	Mine Buildings	Total
Year ended December 31, 2016									
Opening net book amount	$526	$17	$608	$-	$-	$-	$-	$-	**$1,151**
Pre-commercial gold cost of sales, net of gold revenue	-	-	-	17,006	-	-	-	-	**17,006**
Additions	26	287	445	7,474	122	-	3,034	-	**11,388**
Acquisitions (notes 3 and 4)	-	210	120	18,832	7,535	22,040	2,574	65	**51,376**
Foreign exchange	-	(7)	(12)	(419)	(191)	-	(65)	(2)	**(696)**
Depreciation for the period	(27)	(43)	(252)	(7,210)	(264)	(5,928)	(522)	(10)	**(14,256)**
Closing net book amount	**$525**	**$464**	**$909**	**$35,683**	**$7,202**	**$16,112**	**$5,021**	**$53**	**$65,969**
At December 31, 2016									
Cost	$818	$621	$1,778	$43,312	$7,657	$22,040	$5,608	$65	**$81,899**
Accumulated depreciation	(293)	(150)	(857)	(7,210)	(264)	(5,928)	(522)	(10)	**(15,234)**
Foreign exchange	-	(7)	(12)	(419)	(191)	-	(65)	(2)	**(696)**
Net book amount	**$525**	**$464**	**$909**	**$35,683**	**$7,202**	**$16,112**	**$5,021**	**$53**	**$65,969**
Year ended December 31, 2015									
Opening net book amount	$685	$25	$785	$-	$-	$-	$-	$-	$1,495
Disposals	(132)	-	-	-	-	-	-	-	(132)
Depreciation for the period	(27)	(8)	(177)	-	-	-	-	-	(212)
Closing net book amount	$526	$17	$608	$-	$-	$-	$-	$-	$1,151
At December 31, 2015									
Cost	$792	$125	$1,213	$-	$-	$-	$-	$-	$2,130
Accumulated depreciation	(266)	(108)	(605)	-	-		-	-	(979)
Net book amount	$526	$17	$608	$-	$-	$-	$-	$-	$1,151

The carrying value of property, plant and equipment held under finance leases at December 31, 2016 was $1,383 (December 31, 2015: $26).

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

	Year ended December 31, 2016
Opening balance	**$-**
Revenue	**$(32,856)**
Production and toll-processing costs	**37,698**
Royalty expense	**4,189**
General and administrative expenses	**765**
Depreciation and amortization	**7,210**
Balance, end of year	**$17,006**

9. MINERAL PROPERTY INTERESTS

The current principal mineral property interest of the Corporation is the Dumont Nickel Project ("Dumont") where a mineral reserve has been delineated. The Corporation has other exploration assets, consisting of West Raglan, Qigavik and the VMS properties which are described in detail in this note below. It has not yet been determined whether these other properties contain an economic mineral reserve or resource.

Exploration and evaluation expenses	Dumont (a)	West Raglan (b)	Qiqavik (c)	VMS Properties (d)	Total
Balance as at January 1, 2016	**$59,148**	**$10,142**	**$-**	**$-**	**$69,290**
Acquisition of VMS (note 4)	-	-	-	1,923	1,923
Property acquisition and maintenance	445	126	140	-	711
Depreciation	34	140	-	-	174
Engineering and technical support	2,040	-	-	-	2,040
Exploration	420	48	2,468	-	2,936
Environmental, community and permitting	652	30	21	-	703
Share-based payments	344	-	-	-	344
Quebec refundable tax credits	(41)	-	(152)	-	(193)
Impairment charge (note 28)	(5,042)	-	-	-	(5,042)
Balance as at December 31, 2016	**$58,000**	**$10,486**	**$2,477**	**1,923**	**$72,886**

Exploration and evaluation expenses	Dumont	West Raglan	Total
Balance as at January 1, 2015	**$61,611**	**$7,339**	**$68,950**
Property acquisition and maintenance	828	73	901
Depreciation	43	140	183
Engineering and technical support	4,627	-	4,627
Exploration	571	2,561	3,132
Environmental, community and permitting	685	75	760
Share-based payments	214	-	214
Quebec refundable tax credits	(778)	(46)	(824)
Sale of NSR, net of transaction costs	(8,653)	-	(8,653)
Balance as at December 31, 2015	**$59,148**	**$10,142**	**$69,290**

(a) Dumont property

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

(i) Griffis International mineral claims

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

(ii) Marbaw royalty

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

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

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

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

(iii) Coyle–Roby royalty

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

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

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

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

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

(iv) Frigon–Robert royalty

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

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

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

(v) Pershimco claims (Pershimco royalty)

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

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

(vi) Ressources Québec royalty

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

(vii) Orion royalties

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

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

The Orion royalties apply to all Dumont claims.

On March 22, 2017, the Corporation announced a transaction to sell 50% of its Dumont Nickel Project with other related assets for US$22,500 million representing an equivalent of US$45,000 for the mineral property ($60,000). As this transaction provided evidence that the Dumont Nickel Project was impaired at December 31, 2016, an impairment loss of $5,042 representing the excess of the recoverable amount over the fair value less cost to dispose, which were estimated at $750 (note 28), was recognised and recorded in the statement of loss and comprehensive loss during the fourth quarter of 2016.

(b) West Raglan property

On June 18, 2014, the Corporation acquired a 55.9% interest in TNN, a private company whose main asset is a 100% interest in the West Raglan nickel sulphide project located in Northern Quebec. A Net Smelter Royalty of 1.5% is payable to Anglo American Exploration (Canada) Ltd. for mineral production from the West Raglan Property. TNN has the right to repurchase one-third of the Royalty (or 0.5% of Net Smelter Returns) with respect to the Property for a price of $2,000, reducing the Royalty from 1.5% to 1% of the Net Smelter Returns from the Property. There are no other royalties, back-in rights, payments, or other agreements or encumbrances.

(c) Qigavik property

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

(d) VMS Properties

The mineral property interests included the Reed Exploration Extension Properties JV (Hudbay Joint Venture) in Manitoba which was acquired as part of the VMS acquisition (Note 4).

Hudbay is 70% owner and acts as the operator of the joint venture with authority and discretion of the exploration and potential development of the property and has exclusive rights to purchase and market the ore produced from the property.

The joint venture relates to four separate but contiguous claims blocks surrounding the Reed Copper Deposit JV: the Tower Zone, Super Zone Claim, Northwest Zone Claim and Northeast Zone Claim properties.

10. LONG-TERM DEBT

Long-term debt is comprised of the following:

	RNC Note Agreement (i)	SLM Senior Secured Facility (ii)	VMS Contribution Loan from Hudbay (iii)	VMS Bridge Loan from Hudbay (iv)	**Total**
Opening balance	$ -	$ -	$ -	$ -	**$ -**
Additions	3,369	-	-	-	**3,369**
Acquisitions (Notes 3 and 4)	-	21,987	15,205	3,348	**40,540**
Issue costs - cash	(229)	-	-	-	**(229)**
Issue costs - warrants	(262)	-	-	-	**(262)**
Repayments	-	(27,393)	(9,918)	(3,348)	**(40,659)**
Deemed repayments from Reed Mine profits	-	-	(6,408)	-	**(6,408)**
Accretion expense	132	1,049	1,121	-	**2,302**
Change in fair value	-	4,111	-	-	**4,111**
Change due to foreign exchange translation	(19)	246	-	-	**227**
	2,991	-	-	-	**2,991**
Less current portion	2,991	-	-	-	2,991
Non-current portion	$ -	$ -	$ -	$ -	**$ -**

(i) Royal Nickel Corporation - Note Agreement

On November 14, 2016, the Corporation contracted an unsecured note payable with YA II PN, Ltd. The note terminates on November 17, 2017. The proceeds of the loan are used for general working capital purposes. The agreement represents a commitment up to US$10,000 ($13,427), of which US$2,500 ($3,369) was drawn and remains outstanding at December 31, 2016 and bears interest at a rate of 12%. Under the terms of the agreement, 2,941,000 warrants were issued to the lender at a subscription price of $0.50 per warrant (for a total value of $262 and accounted for as an initial discount). Monthly cash payments of US$234 ($314) plus interest will commence in March 2017.

The fair value of the warrants was measured using the Black-Scholes option pricing formula with the following assumptions:

Share price	$0.33
Exercise price	$0.50
Risk free interest rate	0.7%
Expected life	2 years
Expected volatility	72%
Expected dividends	nil

(ii) SLM - Senior Secured Facility

At acquisition, SLM had 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 bore interest at 9.5%. The MPA facility was secured by a first ranking charge over the assets and undertakings of SLM and by the SLM common shares owned by the Corporation. Under the MPA facility, repayments were made each month in nickel tonnes and each quarter in gold ounces as per a repayment schedule.

The MPA facility was also subject to 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.

SLM had established a past practice of settling in cash with LRC the metals to be delivered under the MPA. Consequently, the obligations to deliver the metals were 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 reflected an effective rate of 9.5%. The initial fair value of the MPA facility at acquisition of SLM was $21,987.

On October 3, 2016, the MPA was fully repaid. There was a resulting loss from the repayment in the amount of $4,111, representing fair value adjustments up to the date of the final settlement. The loan was repaid using the net proceeds of US$16,003 ($21,023) from the Senior Secured Gold Loan (note 11), a partial draw of US$1,899 ($2,495) from the gold and nickel working capital facility (note 5) and US$1,026 ($1,348) in cash.

(iii) 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 agreed 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.

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 was 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%.

On December 20, 2016, both the Contribution loan and Bridge loan were fully repaid with the proceeds received from the copper working capital facility (note 5) and the Senior Secured Copper Loan (note 11).

(iv) 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 could not be covered by proceeds from the ore concentrate sales, which necessitated the establishment of the bridge loan. The bridge loan accrued interest calculated at 8% which was to be repaid from the proportionate share of net profits from the mine.

On December 20, 2016, both the Bridge loan and Contribution loan were fully repaid with the proceeds received from the copper working capital loan (note 5) and the Senior Secured Copper Loan (note 11).

11. DEFERRED REVENUE

The Corporation entered into sales arrangements with Auramet for the sale of a portion of its future production of gold and copper. These arrangements were part of the financing reorganizations described in notes 5 and 10 parts (ii) and (iv). With respect to SLM, the Corporation received US$16,500 ($22,155) for the future deliveries 16,800 ounces of gold. The contract is settled by 30 equal monthly gold deliveries of 560 ounces from February 2017 to July 2019. With respect to VMS, the Corporation received US$6,500 ($8,728) for the future deliveries of 2,825,000 pounds of copper. The contract is settled by twelve monthly copper deliveries from January 2017 to December 2017. Monthly copper deliveries will be 250,000 pounds for the first five months and 225,000 pounds for the final seven months.

Pursuant to each of the Senior Secured Gold and Copper Loans, call options were granted to Auramet to fix the price of gold and copper. The initial fair values were estimated to be $1,689 (gold) and $159 (copper) respectively at inception (note 12). The initial fair value of the call options were deducted from the respective amounts recorded as deferred revenues as the call options were issued as part of the Senior Secured Gold and Copper Loans.

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

	Senior Gold Loan	Gold Working Capital Facilities	Senior Copper Loan	Total
SLM				
16,800 ounces of gold	$18,521	-	-	$18,521
4,120 ounces of gold	-	5,728	-	5,728
VMS				
2,825,000 pounds of copper	-	-	8,433	8,433
	18,521	5,728	8,433	32,682
Current portion	6,790	5,728	8,433	20,951
Non-current portion	$11,731	-	-	$11,731

12. DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on the Corporation's specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in Level 2. As at December 31, 2016, all of the Corporation's derivative financial instruments have been classified as Level 2 financial instruments according to the Corporation's fair value hierarchy. The fair value of these instruments is determined using discounted future cash flows based on forward metals curves and, in the case of options, the Black-Scholes Method.

The Corporation did not apply hedge accounting on its outstanding derivatives. Therefore, changes in fair value are recorded in the consolidated statement of loss and comprehensive loss on a mark to market basis and recorded in financial assets and liabilities. The Corporation realized net losses of $149 on derivative instruments in 2016. For the year ended December 31, 2016, the table below summarizes the movements in derivative assets (liabilities):

	Net Derivative Asset (liability)
Opening balance	**$ -**
Fair value at inception - gold options (note 11)	(1,689)
Fair value at inception - copper options (note 11)	(159)
Net unrealized gains on derivative instruments	3,517
Closing balance	**$ 1,669**

The following table summarizes the outstanding derivative positions at December 31, 2016 (2015 – nil):

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

13. SHARE CAPITAL

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

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

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

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

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

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

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

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

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

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

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

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

On June 12, 2015, the Corporation closed a brokered private placement of 8,571,428 flow-through shares at a price of $0.35 per flow through share and 2,391,638 units at a price of $0.275 per unit, for aggregate proceeds of $3,000 and $658 respectively ("the 2015 Offering"). Each unit is comprised of one common share of the Corporation and one-half of one common share purchase warrant. Each whole warrant is exercisable at a price of $0.375 and entitles the holder thereof to acquire one common share of the Corporation on or before June 12, 2017. In connection with the 2015 Offering, the Corporation recorded a $686 flow-through share premium liability calculated as the difference between the share issuance price and the market price at the time of closing. The cash expenses of the 2015 Offering were $315.The fair value of the 1,195,819 warrants issued was estimated at $81 using the Black–Scholes option pricing formula with the following assumptions: expected dividend yield 0%, share price $0.265, expected volatility 66%, risk free rate of return 0.7%, and expected maturity of two years.

On July 8, 2015, in conjunction with a royalty financing with Orion (note 9), the Corporation closed a private placement of 10,000,000 common shares at a price of $0.395 per share for gross proceeds of $3,950. The cash expenses of the private placement were $63.

14. WARRANTS AND COMPENSATION WARRANTS

The following tables reflects the continuity of warrants for the years ended December 31, 2016 and 2015:

	Number of Warrants	Number of Compensation Warrants/Options	Weighted Average Exercise Price
Balance as at January 1, 2016	5,991,319	575,460	$0.72/$0.60
Exercised	(470,058)	-	$0.38/$0.00
Granted (notes 10 & 13)	16,470,750	1,451,805	$0.50/$0.41
Expired	(4,793,625)	(575,460)	$0.80/$0.60
Balance as at December 31, 2016	**17,198,386**	**1,451,805**	**$0.49/$0.41**

	Number of Warrants	Number of Compensation Warrants/Options	Weighted Average Exercise Price
Balance as at January 1, 2015	5,705,354	575,460	$0.98/$0.60
Granted (note 13)	1,195,819	-	$1.91/$0.00
Expired	(909,854)	-	$0.38/$0.00
Balance as at December 31, 2015	**5,991,319**	**575,460**	**$0.72/$0.60**

As at December 31, 2016, the remaining average contractual life of the outstanding warrants and compensation warrants was 1.7 years and 1.5 years respectively.

During the year, 470,058 warrants were exercised. The weighted average market price on the dates of exercise was $0.38 per share.

15. SHARE INCENTIVE PLAN

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

Share Purchase Options

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

In 2016, 16,070,000 (2015: 3,700,000) 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 $0.15 (2015: $0.10). This was calculated using the Black-Scholes option pricing model, using the following weighted average assumptions:

	Year ended December 31,	
	2016	2015
Share price	**$0.28**	$0.21
Exercise price	**$0.28**	$0.21
Risk free interest rate	**0.98%**	0.6%
Expected life	**4 years**	3 years
Expected volatility	**70%**	70%
Expected dividends	**Nil**	nil

The following tables reflects the continuity of share options for the years ended December 31, 2016 and 2015:

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

	Number of Options	Weighted Average Exercise Price
Balance as at January 1, 2015	11,987,852	$0.64
Granted	3,700,000	0.21
Expired	(1,345,000)	0.43
Balance as at December 31, 2015	**14,342,852**	**$0.55**

As at December 31, 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	27,303,863	4.0	$0.34	20,265,529	3.8	$0.36
$1.00–$1.99	1,075,656	1.2	$1.27	1,075,656	1.2	$1.27
$2.00–$2.50	510,000	2.5	$2.24	510,000	2.5	$2.24
	28,889,519	**3.9**	**$0.41**	**21,851,185**	**3.6**	**$0.45**

Deferred Share Units

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

During the year ended December 31, 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.

The following tables reflects the continuity of deferred share units for the years ended December 31, 2016 and 2015:

	Number of Deferred Share Units
Balance as at January 1, 2015	1,346,343
Redeemed	(249,000)
Balance as at December 31, 2015 and 2016	**1,097,343**

As at December 31, 2016, all 1,097,343 deferred share units were vested.

Restricted Share Units

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

During the year ended December 31, 2016, 2,394,523 (2015: 3,564,690) 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 year ended December 31, 2016, Nil (2015: 567,339) restricted share units were redeemed for cash at a redemption price of $Nil (2015: $0.25) per restricted share unit for a total cash payment of $Nil (2015: $139).

In 2015, 3,564,690 restricted share units were granted, 328,707 of which were pursuant to management's election to receive restricted share units in lieu of a portion of their salary and vest one year from grant, 1,685,832 of which vested immediately pursuant to management's election to receive restricted share units in lieu of a portion of an annual cash bonus, and 1,550,151 of which vested immediately pursuant to directors' election to receive restricted share units in lieu of directors fees.

In 2015, 567,339 restricted share units were redeemed, 556,922 of which were redeemed for cash at a weighted average redemption price of $0.25 per restricted share unit for a total cash payment of $139 and the remaining 10,417 restricted share units were redeemed for 10,417 common shares of the Corporation.

The following tables reflects the continuity of restricted share units for the years ended December 31, 2016 and 2015:

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

	Number of Restricted Share Units
Balance as at January 1, 2015	1,284,874
Granted	3,564,690
Redeemed	(567,339)
Balance as at December 31, 2015	**4,282,225**

Included in the 6,251,750 restricted share units outstanding as at December 31, 2016, are 3,191,202 units that can only be settled for cash.

As at December 31, 2016, the weighted average remaining contractual life of the outstanding restricted share units was 2.1 years and 6,251,750 restricted share units were vested.

Share Appreciation Rights

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

There was no activity in share appreciation rights during 2016. As at December 31, 2016, there were 906,000 share appreciation rights outstanding. In 2015, no share appreciation rights were granted, 218,000 share appreciation rights expired, and 102,000 were forfeited. The vesting requirements for the share appreciation rights outstanding as at December 31, 2016 are described below.

The remaining 906,000 share appreciation rights (the "Service Condition SARs") vest if the Committee passes a resolution approving the redemption of the Service Condition SARs having regard to the Corporation's financial condition, project status and overall market conditions ("Approval Condition"), provided that the number of Service Condition SARs to vest will be dependent upon the length of service of the participant as follows: one-third will not be dependent on the length of service and shall vest upon the Approval Condition being met, a further one-third will vest upon the Approval Condition being met, provided that the participant is still serving as a director or employee of the Corporation on the first anniversary of the date of grant, and the remaining one-third will vest upon the Approval Condition being met, provided that the participant is still serving as a director or employee of the Corporation on the second anniversary of the date of grant. Vested Service Condition SARs shall be redeemed on the redemption date specified by the Committee. If the Service Condition SARs have not become vested and been redeemed by the expiry date, such Service Condition SARs shall be automatically redeemed on the expiry date notwithstanding that the Approval Condition has not been met. The expiry date for 620,000 Service Condition SARs is the fifth anniversary of the date of grant, while the expiry date for the remaining 286,000 Service Condition SARs is the tenth anniversary of the date of grant.

The following table reflects the continuity of share appreciation rights for the years ended December 31, 2016 and December 31, 2015:

	Number of Share Appreciation Rights	Weighted Average Base Price
Balance January 1, 2015	1,226,000	$0.33
Expired	(218,000)	0.40
Forfeited	(102,000)	0.34
Balance December 31, 2015 and 2016	**906,000**	**$0.31**

The weighted average fair value of each share appreciation right outstanding at the end of the period, as estimated as at December 31, 2016, was $0.12 (2015: $0.06). This was calculated using the Black-Scholes option pricing model, using the following assumptions:

	Year ended December 31,	
	2016	2015
Share price	**$0.28**	$0.18
Base price	**$0.33**	$0.33
Risk free interest rate	**0.84%**	0.49%
Expected life	**3.0 years**	3.0 years
Expected volatility	**70%**	70%
Expected dividends	**nil**	nil

As at December 31, 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 years is shown in the following table:

	Year ended December 31,	
	2016	2015
Equity settled share-based payment transactions		
Share purchase options	**$1,339**	$300
Total equity settled share-based payment transactions	**1,339**	300
Cash settled share-based payment transactions		
Deferred share units	**-**	4
Restricted share units	**128**	636
Share appreciation rights	**30**	19
Mark-to-market adjustment for deferred and restricted share units and share appreciation rights	**598**	(385)
Total cash settled share-based payment transactions	**756**	274
Accrued share-based payment transactions	**338**	-
Total expense arising from share-based payment transactions	**$2,433**	$574

The carrying amounts of the liabilities relating to deferred and restricted share units and share appreciation rights as at December 31, 2016, are $302, $1,404 and $108 respectively (at December 31, 2015: $198, $759 and $38, respectively).

16. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31,	
	2016	2015
Expense by nature		
Salaries, wages and benefits	**$1,282**	$1,313
Severance	**-**	62
Share-based payments (note 15)	**2,433**	574
Professional fees	**816**	251
Consulting fees	**818**	191
Public company expenses	**184**	111
Office and general	**1,091**	724
Conference and travel	**467**	125
Investor relations	**780**	590
Business development	**689**	1,558
Acquisition costs (notes 3 and 4)	**2,650**	-
Depreciation and amortization	**48**	59
	$11,258	$5,558

17. LOSS PER SHARE

	Year ended December 31,	
	2016	2015
Loss attributable to RNC shareholders	**$(28,861)**	$(5,322)
Weighted average number of common shares	**216,931,186**	120,830,680
Loss per share attributable to RNC shareholders – basic and diluted	**$(0.13)**	$(0.04)

The effect of potential issuances of shares under stock options, warrants, deferred share units and restricted share units would be anti-dilutive for the years ended December 31, 2016 and 2015, and accordingly, basic and diluted loss per share are the same.

18. RELATED PARTY TRANSACTIONS

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

Remuneration of key management	Year ended December 31,	
	2016	2015
Management salaries and benefits	**$2,207**	$1,142
Share-based payments – Management	**333**	641
Directors fees (note 15)	**-**	18
Share-based payments – Directors	**936**	469
Mark-to-market adjustment for share-based payments	**757**	(506)
	$4,233	$1,764

Management salaries and benefits during year ended December 31, 2016 include compensation for SLM's key management since the Corporation acquired SLM. Total management salaries and benefits of $2,207 included severance payments of $470. Management salaries and benefits during the year ended December 31, 2015 were reduced by share-based payments made in lieu of a portion of salaries (Note 15).

Termination and Change of Control Provisions

Certain employment agreements between the executive team and the Corporation contain termination without cause and change of control provisions. Assuming that all members of the executive team had been terminated without cause on December 31, 2016, the total amounts payable to the executive team in respect of severance would have totaled $2.4 million. If a change of control had occurred on December 31, 2016, the total amounts payable to the executive team in respect of severance, if elected by each executive team member would have totaled $2.4 million. At December 31, 2016, there were no unvested share-based awards that are redeemable in cash

19. ASSET RETIREMENT OBLIGATION

The asset retirement obligations represent the legal and contractual obligations associated with the eventual closure and reclamation of the Corporation's exploration camp at the West Raglan project, the Beta Hunt Mine and VMS's share of the Reed Mine estimated closure costs. The obligation consists of costs associated with reclamation, environmental monitoring, and the removal of tangible assets. As at December 31, 2016, the carrying value of the asset retirement obligation represents the net present value of the estimated undiscounted cash flows required to settle the environmental obligations, which total $1,294 (2015: $500), using an average discount rate of 0.7% (2015: 0.7%). The settlements of these obligations are estimated to occur between 2019 and 2020.

	2016	2015
Balance as at January 1	**$488**	$467
Acquisition of SLM (note 3)	**348**	-
Acquisition of VMS (note 4)	**386**	-
Change in discount rate	**2**	17
Change in foreign exchange	**(9)**	-
Accretion expense	**8**	4
Balance as at December 31	**$1,223**	$488

20. INCOME TAX

The major components of income tax expense are as follows:

	2016	2015
Tax expense applicable to:		
Current Taxes	**$-**	$-
Deferred Taxes		
Income taxes — origination and reversal of temporary differences	**(3,061)**	(861)
Mining taxes — origination and reversal of temporary differences	**114**	222
Relating to change in tax rates/imposition of new tax laws	**47**	338
Relating to unrecognized temporary differences	**3,638**	841
Relating to amortization of flow through share premium	**(264)**	(626)
Total tax expense (recovery)	**$474**	$(86)

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

	2016	2015
Statutory tax rate	**25.47%**	25.63%
Tax benefit of statutory rate	**$(7,168)**	$(1,461)
Expenses not deductible/(taxable) for income tax purposes	**3,045**	147
Tax rate differential	**66**	-
Tax effect of renounced flow through share expenditures	**775**	502
Amortization of flow-through share premiums	**(264)**	(626)
Quebec mining duties, net of tax	**114**	222
Impact of change in provincial deferred income tax rate	**47**	338
Tax effect of unrecognized temporary difference and tax losses	**3,637**	841
Prior year adjustment	**185**	-
Other	**37**	(49)
Total tax expense (recovery)	**$474**	$(86)

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

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

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

	Balance January 1, 2015	Recognized in Profit and Loss	Recognized in Equity	Balance December 31, 2015
Deferred tax assets/(liabilities):				
Loss carry-forward	$11,296	$330	$-	$11,626
RSU and share appreciation rights	101	(36)	-	65
Property, plant and equipment	(19)	(23)	-	(42)
Financing costs	234	(92)	41	183
Mining property interests	(22,327)	(722)	-	(23,049)
Other	13	2	-	15
Net deferred tax liabilities	**$(10,702)**	**$(541)**	**$41**	**$(11,202)**

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

	2016	2015
Tax loss carry-forwards		
Expire 2032–2035	**$46,495**	$31,974
Mineral properties	**$14,185**	-

The Corporation is subject to federal income taxes, provincial income taxes, and provincial mining taxes. Tax laws are complex and can be subject to different interpretations. Uncertainties exist with respect to the interpretation of tax regulations, including the determination of which mining exploration expenditures are eligible for refundable tax credits, and the amount and timing of collection. The Corporation has prepared its tax provision based on the interpretations of tax laws which it believes represent the probable outcome. The Corporation may be required to change its provision for income taxes if the tax authorities ultimately are not in agreement with the Corporation's interpretation.

21. FINANCIAL RISK – FACTORS

Financial Instruments

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

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Corporation's credit risk is primarily attributable to amounts receivable, cash and cash equivalents and derivatives with a fair value in the Corporation's favour. Amounts receivable mainly consists of trade accounts receivable from Auramet, interest receivable from Canadian chartered banks, goods and services tax due from the federal and Quebec governments, and mining tax credits due from the Quebec government. Management believes that the credit risk concentration with respect to Auramet included in amounts receivable and in the form of favourable derivatives is minimal. The Corporation reduces its credit risk by diversifying its cash and cash equivalents investments with several major Canadian chartered banks rated "A" or higher.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not have sufficient cash resources to meet its financial obligations associated with financial liabilities as they come due. The Corporation's liquidity and operating results may be adversely affected if the Corporation's access to the capital market or other alternative forms of financing is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Corporation. The Corporation has historically generated cash flow primarily from its financing and investing activities. As at December 31, 2016, the Corporation had cash and cash equivalents of $4,845 to settle current financial liabilities of $21,617. All of the Corporation's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms with the exception of the current portion of long-term debt (note 10) and the finance lease obligation (note 22). The Corporation regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. As at December 31, 2016, Management estimates that funds available will not be sufficient to meet the Corporation's obligations and expenditures through December 31, 2017 (Note 1).

Interest Rate Risk

The Corporation has cash balances and the Corporation's current policy is to invest excess cash in certificates of deposit or high interest savings accounts of major Canadian chartered banks. As of December 31, 2016, the Corporation had $4,663 invested with various banks bearing interest at variable rates. Based on the balance as at December 31, 2016, a plus or minus 0.50 % change in the rates would affect net income by approximately $23 on an annual basis. The Corporation also has facilities at variable rates based on a spread over LIBOR. As of December 31, 2016, the Corporation had $2,991 of working capital facilities at variable rates. Sensitivity to a plus or minus 1% change in the rates would affect the reported annual interest expense by approximately $30.

Commodity Price Risk

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

Fair Value Risk

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

	As at December 31, 2016		As at December 31, 2015	
Other Financial Liabilities	**Carrying value**	**Fair Value**	Carrying value	Fair Value
Note Agreement - RNC (note 10) (level 2)	**$2,991**	**$3,485**	$-	$-

22. COMMITMENTS

The Corporation is committed to minimum amounts under operating lease agreements primarily for office and warehouse space. As at December 31, 2016, minimum commitments remaining under these leases were approximately $461 over the following years:

2017	**$202**
2018	**159**
2019	**100**
	$461

The Corporation also has lease obligations of $1,383, all of which will be paid in 2017.

Royalties

The Corporation is required to pay Beta Hunt royalties to (i) Consolidated Minerals, 3% (at a nickel price under AU$17,500/t) or 5% (at a nickel price of AU$17,500 or greater) until total royalty payments reach AU$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.

23. CONTINGENT LIABILITY

On April 27, 2012, a statement of claim without specified damages was filed against VMS by W. Bruce Dunlop Limited regarding the Reed deposit. 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.

24. OTHER EXPENSES (INCOME), NET

	Year ended December 31,	
	2016	2015
RNC		
Share of gain of associates (note 7)	**(129)**	(49)
Gain on dilution of associate (note 7)	**(83)**	-
Change in fair value of derivative financial instruments	**410**	332
Gain on deemed disposition of associate (note 3)	**(71)**	-
Unrealized gain (loss) on other investment	**(110)**	50
SLM		
Change in fair value – senior secured facility	**4,111**	-
Accretion – Senior Secured Facility	**1,049**	-
Finance costs	**981**	-
Change in fair value of derivative financial instruments	**(4,048)**	-
VMS		
Accretion – contribution loan	**1,121**	-
Change in fair value of derivative financial instruments	**270**	
Other		
Finance and other income	**(71)**	(61)
Other expenses	**883**	-
Foreign exchange loss	**535**	-
Gain on sale of property, plant and equipment	**(6)**	(58)
Gain on sale of mineral property interest	**-**	(70)
	4,842	144

25. SUPPLEMENTAL CASH FLOW INFORMATION

Other expense (income)

	Year Ended December 31,	
	2016	2015
Share of gain of associates	**(135)**	(49)
Gain on dilution of associate	**(83)**	-
Gain on deemed disposition of associate	**(64)**	-
Gain on sale of property, plant and equipment	**-**	(58)
Gain on sale of mineral property interests	**-**	(70)
Change in fair value of derivative financial instruments	**(3,517)**	332
Accretion of asset retirement obligation	**10**	4
Unrealized loss (gain) on other investment	**(110)**	50
Accretion – long-term debt	**2,302**	-
Change in fair value – Senior Secured Facility	**4,111**	-
	2,514	209

Other supplemental information

	Year Ended December 31,	
	2016	2015
Interest paid	**$3,726**	$20
Share-based payments capitalized in mineral property interests	**342**	214
Depreciation of property, plant and equipment in mineral property interests	**131**	183
Mineral property interests in accounts payable and accrued liabilities	**88**	671
Property, plant and equipment in accounts payable and accrued liabilities	**-**	-

26. 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.

Year ended December 31, 2016	Dumont Canada	Beta Hunt Nickel Mine Australia	Reed Mine Canada	West Raglan Canada	Corporate and other exploration Canada	Total
Revenue	$-	$10,004	$22,677	$-	$-	$32,681
Production and toll-processing costs	-	6,504	13,715	-	-	20,219
Royalty expense	-	905	-	-	-	905
Depreciation and amortization	-	197	5,958	-	-	6,155
General and administration	148	779	240	231	9,860	11,258
Impairment charges	5,042	-	4,494	-	7,909	17,445
Operating income (loss)	(5,190)	1,619	(1,730)	(231)	(17,769)	(23,301)
Property, plant and equipment	530	7,202	16,212	350	41,675	65,969
Mineral property interest	58,000	-	1,923	10,486	2,477	72,886
Total assets	58,530	7,202	9,609	10,836	73,115	159,292

Refer to note 8 for the information with respect to the Beta Hunt Gold Mine that remains in pre-commercial production in 2016.

Prior to 2016, the Corporation had one reportable segment.

27. CAPITAL MANAGEMENT

The capital of the Corporation consists of items included in RNC shareholder's equity of $83,966 as at December 31, 2016 (2015: $65,165). Many of the properties in which the Corporation currently has an interest are in the exploration and evaluation stage and SLM's Beta Hunt gold mine was in the pre-commercial phase at December 31, 2016. Profits from operating mines are not sufficient to finance exploration and evaluation activities. As such, the Corporation is dependent on external financing to fund its activities. In order to carry out the planned exploration and evaluation program, complete acquisitions and pay for administrative costs, the Corporation will spend its existing working capital and raise additional amounts when economic conditions permit it to do so.

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

(i) minimizing discretionary disbursements;

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

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

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

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

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

28. SUBSEQUENT EVENTS

On February 13, 2017, the Corporation entered into a purchase option agreement with Westgold Resources Limited ("Westgold") for its South Kalgoorlie Operation ("SKO"). Under the toll agreement, Westgold granted the Corporation access to 50% of its SKO plant capacity for a twelve-month period commencing July 1, 2017. The Corporation will pay Westgold toll processing fees on a fixed plus variable arrangement on commercial terms. Westgold also granted the Corporation a six-month option (the "Option") to purchase the SKO operations outright, including all existing mining, milling and infrastructure, for AU$80,000 ($80,016) (the "Purchase Price"). The Corporation will pay Westgold an option fee of AU$4,000 ($4,001), equal to 5% of the Purchase Price, to be satisfied by the issuance of shares of the Corporation. This fee will be deducted from the Purchase Price on exercise by the Corporation of the Option. The Corporation is entitled to extend the Option for an additional six months by paying an additional 5% fee (the "Extended Option Payment"). Should the Corporation exercise the Option after six months, only the Extended Option Payment shall be deducted from the Purchase Price. The Corporation will issue a total of 23.4 million shares to secure these tolling rights and option to acquire the SKO operation. In the event the Corporation elects to exercise the Option, the remaining Purchase Price would be satisfied with a combination of cash and common shares of the Corporation (with the share portion increasing Westgold's ownership interest up to 19.9% of the Corporation).

On March 7, 2017, the Corporation entered into a letter of intent (the "LOI") with Focused Capital Corp. ("Focused") to spin out TNN via a reverse take-over ("RTO") of Focused. The Corporation also entered into an option agreement with Carolina Gold Resources ("CGR") on two U.S. gold properties to be included in the TNN assets intended to be spun out into the newly listed entity and listed for trading on the TSX Venture Exchange upon completion of the transaction. Once the final structure and terms of the transaction are determined, the LOI will be superseded by a definitive agreement between TNN and Focused. Following completion of the RTO, the resulting issuer will hold all of TNN's assets and conduct the business of TNN.

On March 10, 2017, the Corporation received US$2,500 ($3,367) for the delivery of 1,125,000 pounds of copper. The contract is settled by seven monthly 75,000 pound copper deliveries from June 2017 to December 2017 and two 300,000 pound copper deliveries from January 2018 to February 2018.

On March 21, 2017, the Corporation entered into a joint venture arrangement in which Waterton Precious Metals Fund II Cayman, LP and Waterton Mining Parallel Fund Onshore Master, LP (collectively "Waterton"). Waterton agreed to acquire 50% of the Corporation's interest in the Dumont Nickel Project (and its related assets) for US$22,500 ($30,000) in cash. The Corporation and Waterton will each also inject US$17,500 ($23,333) into a newly established limited partnership that will own the Dumont Nickel Project.

29. QUARTERLY ADJUSTMENTS (unaudited – supplementary information)

The condensed interim consolidated financial statements for the last two interim periods of the year ended December 31, 2016 report pre-commercial gold cost of sales, net of gold revenue, as capitalized as part of property, plant and equipment following an allocation of common costs incurred at the Beta Hunt mine between nickel and gold. The method of allocation was reviewed and amended during the fourth quarter of 2016 to better reflect the mine site operations and related resources used in the nickel extraction and gold operations ramp up. Management of the Corporation determined the amendment to the cost allocation methodology represented a change in accounting policy in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors,* that needed to be adjusted retrospectively to the last two interim periods.

The effects of the adjustments are as follows:

Adjustments to the Consolidated Interim Balance sheets

	As at June 30, 2016	Adjustments	**As at June 30, 2016**
	Previously stated	Capitalised pre-commercial gold net cost	**Adjusted**
Property, Plant and Equipment (Pre-commercial gold cost of sales, net of gold revenue)	$1,011	$2,581	**$3,592**
Total assets	166,773	2,581	**169,354**
Deficit	(82,220)	1,993	**(80,227)**
Equity attributable to RNC shareholders	90,899	1,993	**92,892**
Non-controlling interest	3,076	588	**3,664**
Total equity	93,975	2,581	**96,556**
Total liabilities and equity	$166,773	$2,581	**$169,354**

	As at September 30, 2016	Adjustments	**As at September 30, 2016**
	Previously stated	Capitalised pre-commercial gold net cost	**Adjusted**
Property, Plant and Equipment (Pre-commercial gold cost of sales, net of gold revenue)	$261	$3,649	**$3,910**
Total assets	168,927	3,649	**172,576**
Deficit	(90,658)	3,649	**(87,009)**
Equity attributable to RNC shareholders	93,190	3,649	**96,839**
Non-controlling interest	3,894	-	**3,894**
Total equity	97,084	3,649	**100,733**
Total liabilities and equity	$168,927	$3,649	**$172,576**

Adjustments to the Consolidated Interim Statements of Loss and Comprehensive Loss:

	For the three-month period ended June 30, 2016		
	Previously stated	Capitalised pre-commercial gold net cost adjustments	**Adjusted**
Revenue	$11,066	$-	**$11,066**
Cost of Operations			
Production and toll-processing costs	7,724	(2,313)	**5,411**
Royalty expense	384	-	**384**
General and administrative	5,288	(268)	**5,020**
Depreciation and amortization	1,872	-	**1,872**
Operating Loss	4,202	(2,581)	**1,621**
Other expenses (income), net	3,238	-	**3,238**
Loss before income tax	7,440	(2,581)	**4,859**
Deferred income tax expense (recovery)	109	-	**109**
Loss for the period	$7,549	$(2,581)	**4,968**
Attributable to:			
RNC shareholders	7,820	(1,993)	**5,827**
Non-controlling interests	(271)	(588)	**(859)**
Other item that may be reclassified subsequently to the consolidated statement of loss	-	-	**-**
Other comprehensive loss for the period	683	-	**683**
Comprehensive loss for the period	8,503	(2,581)	**5,922**
Loss per share attributable to RNC shareholders			
Basic and diluted	$0.04	$(0.01)	**$0.03**

	For the three-month period ended September 30, 2016		
	Previously stated	Capitalised pre-commercial gold net cost adjustments	**Adjusted**
Revenue	$10,740	$-	**$10,740**
Cost of Operations			
Production and toll-processing costs	10,139	(2,956)	**7,183**
Royalty expense	281	-	**281**
General and administrative	2,849	(693)	**2,156**
Depreciation and amortization	1,671	-	**1,671**
Operating Loss	4,200	(3,649)	**551**
Other expenses (income), net	3,925	-	**3,925**
Loss before income tax	8,125	(3,649)	**4,476**
Deferred income tax expense (recovery)	440	-	**440**
Loss for the period	$8,565	$(3,649)	**$4,916**
Attributable to:			
RNC shareholders	8,438	(3,649)	**4,789**
Non-controlling interests	127	-	**127**
Other item that may be reclassified subsequently to the consolidated statement of loss	-	-	**-**
Other comprehensive gain for the period	(923)	-	**(923)**
Comprehensive loss for the period	7,515	(3,649)	**3,866**
Loss per share attributable to RNC shareholders Basic and diluted	$0.03	$(0.01)	**$0.02**

Adjustments to the Consolidated Interim Statements of Cash Flows

	For the three month period ended June 30, 2016		
	Previously stated	Capitalised pre-commercial gold net cost adjustments	**Adjusted**
Cash flow provided by (used in)			
Operating activities	$(413)	$2,567	**$2,154**
Investing activities	(3,286)	(2,567)	**(5,853)**
Acquisition of property, plant and equipment	$(3,354)	$(2,567)	**$(5,921)**

	For the three month period ended September 30, 2016		
	Previously stated	Capitalised pre-commercial gold net cost adjustments	**Adjusted**
Cash flow provided by (used in)			
Operating activities	$(5,354)	$3,649	**$(1,705)**
Investing activities	(3,902)	(3,649)	**(7,551)**
Acquisition of property, plant and equipment	$(1,052)	$(3,649)	**$(4,701)**