

RNC Announces Q1 2017 Results, Beta Hunt And Financing Update

RNC will host a call/webcast on May 16 at 10:00 a.m. (Eastern Time) to discuss Q1 2017 results. North American callers please dial: 1-888-231-8191, international callers please dial: (+1) 647-427-7450. For the [webcast of this event click \[here\]](#) (replay access information below).

TORONTO, May 16, 2017 /CNW/ - RNC Minerals (TSX: RNX) ("RNC") announces its review of activities and financial results for the quarter ended March 31, 2017. All amounts are expressed in Canadian dollars, unless otherwise noted, and are based on the unaudited financial statements for the quarter ended March 31, 2017.

Mark Selby, President and CEO, commented, "During the first quarter, we announced three significant transactions: offtake and option agreements with Westgold to acquire its SKO mining and milling operations with significant synergies to our Beta Hunt Mine; the formation of a first-of-its-kind 50/50 nickel joint venture with Waterton containing the Dumont project and US\$35 million in cash; and the planned spinout of our TNN exploration assets."

Mr. Selby continued. "At Beta Hunt, we are now beginning to see the results of the investments made in mine development over the past year with increasing mine production from new stopes in both the A Zone and Western Flanks. Mining rates in May have averaged 1,590 tonnes per day of gold material, up 38% from Q1 levels. These mining rates represent 70% of our mid-year target to achieve an annualized rate of 60,000 ounces of gold and are on-track to achieve commercial production during the second quarter. As previously disclosed, the Beta Hunt ramp-up was slower than expected during the first quarter due to temporary equipment availability issues and lower than anticipated grades from the initial portion of the first Western Flanks mining stope. This has resulted in lower than planned production in the first quarter and a reduction in our 2017 production guidance to 50-60,000 ounces. To ensure sufficient capital to complete the ramp-up, RNC has agreed to terms for a US\$10 million four year convertible debt facility, which we expect, subject to closing conditions, to complete by the end of May 2017. With a sufficient level of development now in place, we look forward to successfully completing the ramp-up and a long, profitable future for the Beta Hunt operation."

Q1 2017 and Recent Highlights

- Gold material mined during the quarter was 1,133 tonnes per day, up 56% compared to the first quarter of 2016. Gold production rates have continued to increase during the second quarter of 2017 and have averaged 1,590 tonnes per day during the first two weeks of May 2017, up 40% versus Q1 production rates.
- Gold grades during the first quarter were adversely impacted by two one-time issues: (i) lower than anticipated grades from the initial portion of the first Western Flanks stope (approximately 1.5 - 1.8

g/t), which have subsequently improved in line with expectations of 2.5 g/t, and (ii) lower than expected grades from previously blasted material in the A Zone which largely averaged between 2 and 2.5 g/t when it was mined during 2016, but declined to 1.5 g/t during the first quarter (a decision was made to cease mining that area in February 2017 and focus on new stope development). Since this material was previously blasted, grade estimates relied on sampling conducted at surface.

- During the second quarter of 2017, mine development reached sufficient levels for the first systematic development of a "HOF" type zone, the "404" Zone, in the Beta area of the Beta Hunt Mine. In April, the 404 Zone yielded 92 ounces of gold from less than 100 kg of hand-sorted material that was crushed and processed at the mine site (grade of approximately 2.9 percent gold) and a further 40 ounces of gold in specimen stone that were sold at a premium of in excess of US\$300 per ounce to the spot price. This area continues to be mined during the current quarter.
- Beta Hunt first quarter 2017 nickel in concentrate production was 0.15 kt. As previously reported, nickel production was reduced due to depressed nickel prices and to focus efforts on gold production.
- Beta Hunt pre-commercial gold production was 5,535 ounces in the first quarter of 2017 and gold sales were 6,132 ounces. Commercial production of gold is expected to commence during the second quarter of 2017.
- For the first quarter of 2017, as gold grades and volumes were lower than expected, gold cash costs net of by-product credits were US\$1,647 per ounce sold, and all-in sustaining costs net of by-product credits were US\$1,685 per ounce sold. As production volumes ramp up and grades improve through the year, costs are expected to decline towards target levels.
- Reed Mine first quarter 2017 copper contained in concentrate was 1.9 million pounds (0.85 kt) (30% basis). Grades during the first quarter were lower than planned and, as a result, cash costs were higher than expected at US\$2.06 per pound sold and all-in sustaining costs were US\$2.10 per pound sold. Production and costs are expected to be in line with 2017 guidance for the balance of the year. RNC's share of gold in concentrate production for the first quarter of 2017 from the Reed Mine was 283 ounces.
- Combined operating loss from Beta Hunt and Reed Mine was \$1.4 million for the three months ended March 31, 2017. Until commercial production is declared, Beta Hunt gold cost of sales, net of gold revenue, are capitalized to property, plant and equipment.
- RNC incurred a net loss of \$4.4 million (\$0.02 per share) for the three months ended March 31, 2017, compared to a net loss of \$1.6 million (\$0.01 per share) for the same period in 2016, due largely to losses from derivative instruments due to increases in gold and copper prices relative to RNC's

outstanding forward sales contracts.

- On February 13, 2017, RNC announced it had reached a toll processing agreement and asset purchase option with Westgold Resources Limited for its South Kalgoorlie Operation.
- On March 7, 2017, RNC announced that it had agreed with Focused Capital Corp. to spin out True North Nickel ("TNN") into a public entity via a reverse take-over of Focused. RNC also announced that TNN had entered into an option agreement with Carolina Gold Resources in respect of two U.S. gold properties, which will be included in the spun-out TNN assets. The transaction is expected to close during the second quarter of 2017.
- On April 20, 2017, RNC closed a transaction under which Waterton Precious Metals Fund II Cayman, LP and Waterton Mining Parallel Fund Onshore Master, LP (collectively "Waterton") acquired 50% of RNC's interest in the Dumont Nickel Project for US\$22.5 million (C\$30 million) in cash. RNC and Waterton contributed US\$17.5 million (C\$23 million) into a newly established joint venture vehicle that owns Dumont and will pursue other nickel opportunities.
- On May 2, 2017, RNC announced the signing of an Impact and Benefit Agreement (IBA) for the Dumont Nickel Project with Abitibiwinni First Nation (AFN). The IBA serves as a framework to govern the relationship with the AFN and lays out the commitments of the parties regarding the impacts and benefits of the Dumont Project.

Convertible Debt Facility

RNC has agreed to terms on a US\$10 million convertible four-year debt facility (the "Facility"). The Facility will: (i) bear interest at a rate of 10% per annum payable quarterly; (ii) be subject to a one-time 2% structuring fee to be paid at closing; (iii) subject to certain limitations, be pre-payable by RNC (with the payment of applicable pre-payment penalties); (iv) subject to certain limitations, be convertible at the election of the lender into shares of RNC (at a 25% premium to the RNC share price over the applicable VWAP period); and (v) be fully repayable at expiry of the four year term (subject to pre-payment, conversion or other early termination).

Closing of the Facility, which is expected to occur by the end of May 2017, is subject to TSX approval and other specified conditions. Proceeds of the Facility will be used to fund the completion of ramp-up of the RNC Beta Hunt gold mine and for general RNC corporate purposes. RNC will confirm closing, and related material details, by news release once completed.

Q1 2017 Results and Outlook

The following is a summary of Q1 2017 Production from Beta Hunt Mine:

Beta Hunt Gold and Nickel Operation	Q1 2017	Q1 2016 ⁶
Gold tonnes mined (000s)	102	66.2

Gold mined grade (g/t) ¹	1.69	2.41
Gold tonnes milled (000s)	69.2	43.1
Gold mill grade (g/t) ¹	1.62	2.65
Gold mined (ounces) ^{1,2}	5,535	5,636
Gold sales (ounces)	6,132	3,416
Nickel tonnes mined (000s)	6.8	29.4
Nickel tonnes milled (000s)	6.8	29.7
Nickel mill grade, nickel (%)	2.51	3.04
Nickel in concentrate tonnes (000s)	0.15	0.8

Beta Hunt Gold and Nickel Operation	Q1 2017
Gold all-in sustaining cost, net of by-product credits (US\$ per ounce sold) ^{3,4,5}	\$1,685
Gold C1 cash operating cost, net of by-product credits (US\$ per ounce sold) ^{3,4,5}	\$1,647
Nickel C1 cash operating cost (US\$ per lb. sold) ⁴	\$2.97
Nickel C1 cash operating cost (US\$ per tonne sold) ⁴	\$6,541
Nickel all-in sustaining cost (AISC) (US\$ per lb. sold) ⁴	\$3.00
Nickel all-in sustaining cost (AISC) (US\$ per tonne sold) ⁴	\$6,618

1. The difference in gold sales ounces and gold mined ounces is due to the receipt of gold sales in January 2017 from ore milled in December 2016.
2. As of March 31, 2017, 33 kt of gold mineralization from Q1 2017 production remained on the ROM pad for tolling in the subsequent quarter, compared to 22 kt of gold mineralization from December 2016 production as of December 31, 2016.
3. Gold operations in the first quarter of 2017 were in the ramp up stage towards commercial production and operating and sustaining costs per ounce are not comparable to other companies.
4. All-in sustaining cost, net of by-product credits, cash operating cost, net of by-product credits, cash operating cost, cash operating cost per tonne, all-in sustaining cost, and all-in sustaining cost per tonne are not recognized measures under IFRS. Such non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Management uses these measures internally. The use of these measures enables management to better assess performance trends. Management understands that

a number of investors, and others who follow RNC's performance, assess performance in this way. Management believes that these measures better reflect RNC's performance and are better indications of its expected performance in future periods. This data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

5. Excluding in each case typical inventory adjustments of C\$1.6 million as of March 31, 2017.
6. In the quarter ended March 31, 2016 the Beta Hunt Mine was 66% owned during the fifteen day period commencing March 16, 2016. The table is a summary of the Q1 Production from the Beta Hunt Mine reported on a 100% basis.

The first quarter of 2017 continued to be a period of transition for the Beta Hunt Mine as it ramped up gold production and prepared for commencement of commercial production expected during the second quarter of 2017. Until commercial production is declared, Beta Hunt gold cost of sales, net of gold revenue, are capitalized to property, plant and equipment. As previously disclosed, the Beta Hunt production ramp-up was slower than expected due to temporary equipment availability issues and lower grades than expected from the initial portion of first Western Flanks mining stope resulting in lower than planned grades and lower than planned gold production in the first quarter of 2017. Subsequent to the end of the first quarter, grades from the first Western Flanks stope have shown significant improvement and development rates, mine output and grade all continue to improve and are expected to continue to improve quarter-over-quarter for the remainder of 2017.

Cautionary Statement: The decision by SLM to produce at the Beta Hunt Mine was not based on a feasibility study of mineral reserves, demonstrating economic and technical viability, and, as a result, there may be an increased uncertainty of achieving any particular level of recovery of minerals or the cost of such recovery, including increased risks associated with developing a commercially mineable deposit. Historically, such projects have a much higher risk of economic and technical failure. There is no guarantee that that anticipated production costs will be achieved. Failure to achieve the anticipated production costs would have a material adverse impact on SLM's cash flow and future profitability. It is further cautioned that the PEA is preliminary in nature. No mining feasibility study has been completed on Beta Hunt. Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that the PEA will be realized.

Beta Hunt Mine Guidance

Due to slower than anticipated ramp-up in the first quarter, full year 2017 gold production is now expected to be 50-60,000 ounces at an all-in-sustaining-cost of US\$1,100-1,200 per ounce. During 2017, it is expected that costs will initially be higher and then decrease as production levels rise. Target all-in-sustaining cost levels of US\$900-1,000 are expected to be achieved by the fourth quarter of 2017. Costs will also be affected by the level of nickel production which continues to be subject to market conditions.

Reed Mine

RNC's acquisition of 100% of VMS Ventures, whose main asset is a 30% interest in the Reed Mine, closed on April 27, 2016.

Reed Mine Q1 2017 Production

For the three months ending March 31, 2017, VMS's 30% share of metal contained in concentrate production from the Reed Mine was 0.85 kt of copper and 283 oz of gold. Grades were lower than expected as lower grade production blocks came on plan slightly earlier than expected. Guidance for the full year remains unchanged.

Reed Mine Q1 2017 Operating Review (100% basis)

	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Ore (tonnes hoisted)	119,534	104,719	112,929	114,452	111,461
Ore (tonnes milled)	108,139	123,596	119,795	111,002	94,997
Copper (%)	2.96	2.90	3.59	4.87	4.38
Zinc (%)	0.67	0.63	0.59	0.45	0.82
Gold (g/t)	0.44	0.44	0.42	0.60	0.54
Silver (g/t)	5.64	5.76	6.61	7.47	7.21

Reed Mine Q1 2017 Production and Costs (30% basis)

	Q1 2017
Copper contained in concentrate (kilo tonnes)	0.85
Gold contained in concentrate (ounces)	283
Copper cash operating cost per pound sold ¹	\$2.06
Copper all-in sustaining cost per pound sold ¹	\$2.10

1. Cash operating cost per pound, and all-in sustaining cost per pound, are not recognized measures under IFRS. Such non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Management uses these measures internally. The use of these measures enables management to better assess performance trends. Management understands that a number of investors, and others who follow RNC's performance, assess performance in this way. Management believes that these measures better reflect RNC's performance and are better indications of its expected performance in future periods. This data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Reed Mine 2017 Guidance

In 2017, RNC expects its 30% share of production from the Reed Mine to be 4-5 kt of copper and 0.8-1.1 koz of gold. Hudbay Minerals (the operator) has not provided guidance for the Reed Mine. The above guidance is RNC

management's estimate of our expected 30% share of 2017 production.

Dumont Nickel Project

On April 20, 2017, RNC closed a transaction under which Waterton Precious Metals Fund II Cayman, LP and Waterton Mining Parallel Fund Onshore Master, LP (collectively "Waterton") acquired 50% of RNC's interest in the Dumont Nickel Project for US\$22.5 million (C\$30 million) in cash. RNC and Waterton contributed US\$17.5 million (C\$23 million) into a newly established joint venture vehicle that owns Dumont and will pursue other nickel opportunities. US\$5 million of this amount is allocated to Dumont-related carrying costs and other expenses incurred over the next four years (expected to include the cost of an updated feasibility study).

Financial Results

RNC incurred a net loss of \$4.4 million for the three months ended March 31, 2017 (with basic and diluted loss per share of \$0.02). This compares with a net loss of \$1.6 million (with basic and diluted earnings per share of \$0.01) for the three months ended March 31, 2016. The net loss increase of \$2.8 million is due primarily to an increase of other expenses totaling \$2.4 million year over year.

Highlights of RNC's financial position are as follows (in millions of dollars):

	March 31, 2017	March 31, 2016
Cash position ¹	\$3.6	\$4.8
Working capital deficit ²	\$(41.6)	\$(26.2)
Total assets	\$161.9	\$159.3
Shareholder's equity	\$83.8	\$87.9

1 Includes Cash and Cash equivalents.

2 Working capital deficit is a measure of current assets less current liabilities

RNC's ability to operate as a going concern is dependent on its ability to raise financing. While management has been successful in securing financing in the past, there can be no assurance that adequate or sufficient funding will be available in the future, or available under terms acceptable to RNC.

Conference Call / Webcast

RNC will be hosting a conference call and webcast today beginning at 10:00 a.m. (Eastern time).

Live Conference Call and Webcast Access Information:

North American callers please dial: 1-888-231-8191

Local and international callers please dial: 647-427-7450

A live webcast of the call will be available through CNW Group's website at:

www.newswire.ca/en/webcast/index.cgi

A recording of the conference call will be available for replay for a one week period beginning at approximately 1:00 p.m. (Eastern Time) on May 16, 2017, and can be accessed as follows:

North American callers please dial: 1-855-859-2056; Pass Code: 21761124

Local and international callers please dial: 416-849-0833; Pass Code: 21761124

About RNC Minerals

RNC is a multi-asset mineral resource company focused primarily on the acquisition, exploration, evaluation and development of base metal and precious metal properties. RNC's principal assets are the producing Beta Hunt gold and nickel mine in Western Australia, the Dumont Nickel Project located in the established Abitibi mining camp in Quebec and a 30% stake in the producing Reed Mine in the Flin Flon-Snow Lake region of Manitoba, Canada. RNC also owns a majority interest in the West Raglan and Qiqavik projects in Northern Quebec. RNC has a strong management team and Board with over 100 years of mining experience at Inco and Falconbridge. RNC's common shares trade on the TSX under the symbol RNX. RNC shares also trade on the OTCQX market under the symbol RNKLF.

Cautionary Statement Concerning Forward-Looking Statements

This news release contains "forward-looking information" including without limitation statements relating to the liquidity and capital resources of RNC, production guidance and the potential of the Beta Hunt and Reed mines as well as the and the potential of the Dumont development project and Qiqavik, West Raglan, Jones-Keystone Loflin and Landrum-Faulkner exploration properties.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of RNC to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could affect the outcome include, among others: future prices and the supply of metals; the results of drilling; inability to raise the money necessary to incur the expenditures required to retain and advance the properties; environmental liabilities (known and unknown); general business, economic, competitive, political and social uncertainties; accidents, labour disputes and other risks of the mining industry; political instability, terrorism, insurrection or war; or delays in obtaining governmental approvals, projected cash costs, failure to obtain regulatory or shareholder approvals. For a more detailed discussion of such risks and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements, refer to RNC's filings with Canadian securities regulators, including the most recent Annual Information Form, available on SEDAR at www.sedar.com.

Although RNC has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this news release and RNC disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as required by applicable securities laws.

SOURCE RNC Minerals

For further information: Rob Buchanan, Director, Investor Relations, T: (416) 363-0649,

www.rncminerals.com; Mélanie Corriveau (French contact), Community Relations Coordinator, T: (819) 727-3777

