

## RNC Announces Q2 2018 Results

*RNC will host a call/webcast on August 15 at 10:00 a.m. (Eastern Time) to discuss Q2 2018 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, Aug. 15, 2018 /CNW/ - RNC Minerals (TSX: RNX) ("RNC") announces its financial results and review of activities for the quarter ended June 30, 2018. All amounts are expressed in Canadian dollars, unless otherwise noted, and are based on the unaudited financial statements of RNC for the quarter ended June 30, 2018.

Mark Selby, President and CEO, commented, "RNC is focused on maximizing the value of the Dumont Nickel-Cobalt Project ("Dumont"). Dumont remains one of the world's premier battery metals projects containing the world's largest undeveloped reserves of nickel and second largest undeveloped reserves of cobalt. As one of the only large-scale fully permitted, shovel ready nickel-cobalt projects globally, Dumont is ideally positioned to deliver the nickel and cobalt required to meet the massive demand growth expected from the electric vehicle ("EV") market in the coming decade." During the balance of the year, RNC will aggressively advance Dumont on multiple fronts towards a construction decision in 2019."

Mr. Selby continued, "The Beta Hunt Mine, which is now considered non-core to RNC, had a strong second quarter with a 24% improvement in mined grade compared to the first quarter. Mined production was lower than in the first quarter due to a combination of focused mining on high-grade specimen gold in certain areas of the mine and delays in securing financing for the mine in May and June (which led to production constraints). We continue to make progress in the final phase of the sale process for Beta Hunt, which we expect to announce by the end of the month."

### Second Quarter of 2018 and Recent Highlights

- RNC had net earnings from continuing operations of \$5.9 million (\$0.02 per share) for the three months ended June 30, 2018, compared to net earnings from continuing operations of \$5.9 million (\$0.02 per share) for the three months ended June 30, 2017. RNC incurred a net loss from discontinued operations of \$7.0 million (\$0.02 per share) for the three months ended June 30, 2018, compared to a net loss from discontinued operations of \$1.0 million (\$Nil per share) for the three months ended June 30, 2017.
- Adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA") from continuing operations for the three months ended June 30, 2018 was \$9.3 million or \$0.03 per share, compared to \$3.5 million or \$0.01 per share for the three months ended June 30, 2017. Reference is made to the Non-International Financial Reporting Standards ("non-IFRS") Measures section in RNC's

### Continuing Operations / Projects

- Reed Mine second quarter 2018 copper contained in concentrate production was 2.9 million pounds (1.34 kt) (27% basis) compared to the second quarter of 2017 of 3.1 million pounds (1.41 kt) (30% basis). Cash operating costs decreased by 73% to US\$0.42 per pound sold and all-in sustaining costs decreased to US\$0.44 per pound sold compared to US\$1.58 and US\$1.66, respectively, in the second quarter of 2017 due to a combination of higher copper grades, higher gold, silver, and zinc by-product credits and the elected dilutionary effect of not funding its share of mining and general and administration costs. If unfunded mining costs and general and administration costs were included, the second quarter cash operating cost and all-in sustaining cost would have been US\$1.16 and \$1.18 per pound, respectively. RNC's share of gold in concentrate production for the second quarter of 2018 from the Reed Mine was 603 ounces. Reference is made to the Non-IFRS Measures section in RNC's MD&A for the period ended June 30, 2018.
- RNC's share of operating income from the Reed mine was \$5.9 million for the three months ended June 30, 2018 (compared to \$0.6 million for the three months ended June 30, 2017), and \$8.1 million for the six months ended June 30, 2018 (compared to an operating loss of \$0.6 million for the six months ended June 30, 2017) .
- On June 18, 2018, RNC announced that in lieu of the previously announced debt extension and equity raise announced on May 31, 2018, RNC would withdraw US\$12 million of its capital from the Dumont JV. The cash withdrawal avoided significant equity dilution at current market share prices, while allowing RNC to significantly reduce its debt and eliminate the majority of its 2018 debt payments.
- In order to obtain the withdrawal of these funds, the Dumont conversion cap under the US\$10 million convertible note (entered into by RNC and Waterton in June 2017) was removed. As a result, on a conversion of the full amount of the US\$10 million convertible note into units of the Dumont JV, RNC's interest would be diluted to approximately 28% (as compared to 40% under the prior terms of the convertible debenture). On July 23, 2018, RNC announced it had received a conversion notice from Waterton for the full principal amount of the US\$10 million convertible note. As a result, RNC's interest in the Dumont JV will be diluted to approximately 28%. After giving effect to the conversion, RNC retains its right to act as manager of the Dumont JV, but will no longer hold veto rights on certain fundamental joint venture matters or the ability to trigger certain exit rights included in the current joint venture arrangements.

### Discontinued Operations

- Mined gold production at the Beta Hunt Mine during the second quarter of 2018 was 13,320 ounces, up 60% compared to 8,281 ounces in the second quarter of 2017 and gold tonnes mined was 132 kt in the second quarter, up 7% from the 123 kt mined in the second quarter of 2017. Gold sales were 11,508

ounces in the second quarter, an increase of 95% compared to 5,891 ounces in the second quarter of 2017. Second quarter sales were adversely impacted by the timing of tolling schedules and above normal seasonal rains which limited mined material delivery to tolling mill service providers.

- For the second quarter of 2018, gold mining cash cost per ounce decreased by 34% to US\$682 per ounce from US\$1,032 per ounce in the second quarter of 2017. On a cost per ounce sold basis, gold cash operating costs, net of by-product credits decreased by 30% to US\$1,185 per ounce sold, and all-in sustaining costs, net of by-product credits decreased by 31% to US\$1,230 per ounce sold, compared to US\$1,687 and US\$1,786, respectively, in the second quarter of 2017 due to a significant increase in gold grades of more than 50% (in both mined and milled tonnes). Reference is made to the non-IFRS Measures section of this MD&A.

## Second Quarter of 2018 Results

### Continuing Operations / Projects

#### Dumont Nickel-Cobalt Project

RNC remains focused on aggressively advancing Dumont towards a construction decision in 2019. During the second quarter of 2018, the Dumont JV continued its activities in support of the Dumont Nickel-Cobalt Project including the following activities:

- Test work on sulphation roasting of Dumont nickel concentrate, which RNC believes has the potential to deliver a simpler, lower cost process to deliver nickel and cobalt to the EV market, began in the second quarter of 2018 and will continue through the third quarter.
- CRU International Ltd. continued with their value-in-use study for roasted Dumont concentrate which RNC believes will deliver a much higher value for Dumont concentrate than traditional smelting and refining. The study is expected to be completed in the third quarter, with results to be included in a potential future technical report update.

#### Reed Mine Production

For the three months ended June 30, 2018, RNC's 27% share of metal contained in concentrate production from the Reed Mine was 1.335 kt of copper and 603 oz of gold. Costs improved during the quarter compared to the prior year primarily due to the effect of RNC electing not to fund its share of mining and general and administration costs.

#### Reed Mine Operating Review (100% basis)

	Q2 2018	Q2 2017
Ore (tonnes hoisted)	142,132	121,115
Ore (tonnes milled)	161,505	123,988
Copper (%)	3.25	4.12

Zinc (%)	0.75	0.41
Gold (g/t)	0.79	0.47
Silver (g/t)	8.34	6.19

### Reed Mine Production and Costs (RNC portion only)

	Q2 2018	Q2 2017
Copper contained in concentrate (kilo tonnes)	1.34	1.41
Gold contained in concentrate (ounces)	603	293
Copper cash operating cost per pound sold <sup>1,2</sup>	0.42	1.58
Copper all-in sustaining cost per pound sold <sup>1,2</sup>	0.44	1.66

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.
2. RNC has elected effective January 1, 2018 to allow its interest in the Reed Mine to be diluted by not funding its share of mining costs and general and administration costs related to production. Consequently those costs are not included in the cost computation.

The Reed Mine ceased mining operations in the third quarter of 2018 with processing of stockpiled material expected to continue into the fourth quarter of 2018.

### Reed Mine 2018 Guidance

Hudbay Minerals Inc., the operator of the Reed Mine, does not provide any production guidance. The following information is RNC management's estimate of production and costs. In 2018, RNC expects its share of production from the Reed Mine to be 2.7 to 3.0 kt of copper and 0.8 to 1 koz of gold, including processing of the stockpile.

RNC elected effective January 1, 2018 to allow its interest in the Reed Mine to be diluted by not funding its share of the operating costs resulting in an estimated decline in its interest from 30% to 26%. Over the course of 2018, this dilution results in a minor production loss of 6%, or 0.13 kt (as compared to a 30% interest in the mine). RNC's share of closure costs is currently estimated at \$0.9 million less recovery for equipment and facilities.

## Orford Mining Corporation

RNC currently owns a 35% interest (42% as of June 30, 2018) in Orford Mining Corporation ("Orford"). Orford's main assets consist of exploration properties in Northern Quebec, comprising the Qiqavik and West Raglan projects and the Carolina Gold Belt in the United States, comprising the Jones-Keystone/Loflin and Landrum-Faulkner gold properties. Exploration activities are underway on the Qiqavik project and on both Carolina properties. Orford is currently conducting an exploration program at the Qiqavik property guided by airborne magnetic and field mapping data collected during the summer 2017 program to identify and locate sites of dilation along structures that were active at the time of gold mineralization in order to target significant gold mineralization accumulations. To further assist in this targeting, a helicopter-borne magnetic survey covering the entire 248 km<sup>2</sup> extent of the Qiqavik property was completed in April 2018.

## Discontinued Operations

### Beta Hunt Mine

In the second quarter of 2018, the Beta Hunt Mine continued to be focused on ramping up its gold production and mined 132 kt of gold mineralization (2017 – 123 kt) containing 13,320 oz of gold (2017 – 8,281). On March 22, 2018, RNC announced it had initiated a strategic alternatives process which may include the sale of all or a portion of the Beta Hunt Mine. On July 23, 2018, RNC announced that it had successfully completed the second phase of the sale process with the selection of a preferred bidder. RNC has granted exclusivity to this bidder to allow for completion of the final phase of the sale process, which we expect to announce by the end of the month. RNC notes that there can be no assurance that the sale process will result in a completed transaction or that, if a transaction is undertaken, as to final terms and timing.

### Beta Hunt Mine Production

<b>Beta Hunt Gold and Nickel Operation</b>	<b>Q2 2018</b>	<b>Q2 2017</b>
Gold tonnes mined (000s)	132	123
Gold mined grade (g/t) <sup>1</sup>	3.14	2.09
Gold tonnes milled (000s)	112	98.1
Gold mill grade (g/t) <sup>1</sup>	3.24	2.07
Gold milled (ounces)	11,844	6,535
Gold mined (ounces) <sup>1,2</sup>	13,320	8,281
Gold sales (ounces)	11,508	5,891
Nickel tonnes mined (000s)	8.3	10.1
Nickel tonnes milled (000s)	8.3	9.6
Nickel mill grade, nickel (%)	2.55	2.84
Nickel in concentrate tonnes (000s)	0.19	0.24

<b>Beta Hunt Gold and Nickel Operation<sup>5</sup></b>		<b>Q2 2018</b>	<b>Q2 2017</b>
Gold mining cash cost per ounce (US\$ per ounce mined)		\$682	\$1,032
Gold all-in sustaining cost, net of by-product credits (US\$ per ounce sold) <sup>3,4</sup>		\$1,230	\$1,786
Gold C1 cash operating cost, net of by-product credits (US\$ per ounce sold) <sup>3,4</sup>		\$1,185	\$1,687
Nickel C1 cash operating cost (US\$ per lb. sold) <sup>4</sup>		\$3.84	\$3.31
Nickel C1 cash operating cost (US\$ per tonne sold) <sup>4</sup>		\$8,467	\$7,293
Nickel all-in sustaining cost (AISC) (US\$ per lb. sold) <sup>4</sup>		\$3.93	\$4.15
Nickel all-in sustaining cost (AISC) (US\$ per tonne sold) <sup>4</sup>		\$8,661	\$9,150
1.	The difference in gold sales ounces and gold mined ounces is due to timing differences in receipt of gold sales depending on completion date of tolling campaigns.		
2.	As of June 30, 2018, 126.5 kt of gold mineralization from the first and second quarter 2018 production remained on the ROM pad for tolling in the subsequent quarter, compared to 105.5 kt of gold as of March 31, 2018.		
3.	Gold operations declared commercial production in the second quarter of 2017 with effect on July 1, 2017. Prior to July 1, 2017, gold operations were in the ramp up stage towards commercial production and operating and sustaining costs per ounce for those periods 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.	Reference is made to the Non-IFRS Measures section in RNC's MD&A for the period ended June 30, 2018.		

### **Beta Hunt Mine 2018 Guidance**

With the announcement of the strategic alternatives process for the Beta Hunt Mine which RNC anticipates would result in the sale of a majority interest and control of the asset during the third quarter of 2018, RNC is not

providing full year guidance.

**Cautionary Statement:** The decision by Salt Lake Mining Pty Ltd. ("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 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 Preliminary Economic Assessment ("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.

### Financial Results

For the second quarter of 2018, revenues from continuing operations of \$10.3 million were in line with the prior year comparative period of \$9.6 million. The earnings attributable to RNC shareholders from continuing operations for the second quarter of 2018 was \$6.0 million were in line with earnings attributable to RNC shareholders of \$6.0 million for the comparable quarter in 2017. Earnings in the current period are primarily due to the Reed Mine which reported operating income of \$5.9 million for the second quarter of 2018 compared with earnings of \$0.6 million in the comparable quarter of the prior year period, a \$5.3 million variance. The Reed Mine reported lower mining costs in 2018 due to RNC's election to allow its interest in the Reed Mine to be diluted by not funding its share of costs related to production. Consequently, those costs are no longer included in RNC's results. Contributing to the higher earnings from continuing operations was a \$2.1 million gain on the fair value adjustment of RNC's convertible debentures.

The net loss attributable to shareholders of RNC, inclusive of discontinued operations, for the second quarter of 2018 of \$1.1 million was significantly lower than the net loss in the prior quarter of \$12.5 million by \$11.4 million. This is mainly the result of significantly lower mining costs at the Reed Mine.

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

	June 30, 2018	March 31, 2018
Cash and cash equivalents <sup>1</sup>	\$6.8	\$19.9
Working capital deficit <sup>2</sup>	\$(33.6)	\$(22.8)
Property, plant and equipment	\$1.0	\$3.7
Mineral property interests	\$51.2	\$49.8
Total assets	\$92.7	\$105.4
Shareholder's equity	\$10.5	\$8.4
1	\$4.8 million is dedicated to the Dumont JV.	

Working capital deficit is a measure of current assets (including cash and cash equivalents) 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 Cision's website at [www.newswire.ca/en/webcast/index.cgi](http://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 August 15, 2018, and can be accessed as follows:

North American callers please dial: 1-855-859-2056; Pass Code: 1384407

Local and international callers please dial: 416-849-0833; Pass Code: 1384407

### **About RNC Minerals**

RNC is a multi-asset mineral resource company with a portfolio of nickel, cobalt, and gold production and exploration properties. RNC has a 28% interest in a nickel joint venture with Waterton that owns the Dumont Nickel-Cobalt Project located in the Abitibi region of Quebec which contains the second largest nickel reserve and eighth largest cobalt reserve (the largest undeveloped nickel reserve and second largest undeveloped cobalt reserve in the world). RNC has a 100% interest in the producing Beta Hunt gold and nickel mine located in Western Australia and a 35% interest in Orford Mining Corporation, a mineral explorer focused on highly prospective and underexplored areas of Northern Quebec and the Carolina Gold Belt in the United States. RNC also has a 27% stake in the producing Reed Mine in Manitoba. 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 Orford Mining's 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 operating 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](http://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.*

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