



RNC MINERALS

## NEWS RELEASE

### **RNC Delivers Strong First Quarter Financial and Operating Performance, Continuing to Reduce Costs and Bolster the Balance Sheet, Reiterates 2020 Guidance**

*RNC will host a call/webcast on May 7, 2020 at 10:00 a.m. (Eastern Time) to discuss the first quarter 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, Ontario – May 7, 2020 – Royal Nickel Corporation dba. RNC Minerals ("RNC" or the "Corporation") (TSX:RNX - <https://www.commodity-tv.com/play/rnc-minerals-new-strategy-as-a-gold-company-with-straight-forward-plans/>) is pleased to announce its financial results and review of activities for the three months ended March 31, 2020. All amounts are expressed in Canadian dollars, unless otherwise noted. For additional information please refer to RNC's Management's Discussion & Analysis ("MD&A") and unaudited condensed interim consolidated financial statements for the three months ended March 31, 2020 and 2019.

#### Highlights

- **First quarter 2020 consolidated gold production of 24,816 ounces – 2020 gold production guidance of 90,000 to 95,000 ounces is maintained (assuming no significant interruption in operations as a result of the COVID-19 virus).**
- **Proactive response to COVID-19: RNC has continued its proactive response to monitor the COVID-19 situation at its operations and implemented procedures that prioritize the health and safety of its employees and stakeholders.**
- **First quarter 2020 consolidated all-in-sustaining-costs ("AISC")<sup>1</sup> of US\$1,101 per ounce sold was inline with the 2020 guided range of US\$1,050-\$1,200 per ounce sold. RNC is targeting AISC costs of approximately USD \$1,000 per ounce sold by the end of 2020.**
- **Adjusted earnings<sup>1</sup> of \$12.6 million, or \$0.02 per share for the first quarter of 2020, down \$1.1 million from \$13.7 million in the fourth quarter of 2019, primarily due to fewer ounces sold.**
- **Adjusted EBITDA<sup>1</sup> was \$13.6 million or \$0.02 per share for the first quarter of 2020, down \$0.8 million from \$14.4 million in the fourth quarter of 2019, primarily due to fewer ounces sold.**
- **Strengthened Cash Position and Balance Sheet: RNC ended the first quarter of 2020 with a strong cash position of \$38.4 million, and working capital of \$30.7 million, improvements of \$3.8 million and \$4.2 million, respectively, from December 31, 2019. The first quarter cash balance is net of payments into gold hedge agreements totalling \$5.3 million.**
- **Growing HGO Open Pit Pipeline: Recent drilling suggests the potential for mine life extensions of both the Baloo and Fairplay North open pits.**
- **Continued HGO Exploration Success following renegotiation of Morgan Stanley Royalty: Recent drilling combined with a review of the historical exploration database continues to identify a number of areas at HGO for further exploration, including:**

- **The high grade Aquarius Project (“Aquarius”, formerly Corona Project).**
- **A newly interpreted 5km structure north of historic Trident Mine (which produced ~1 million ounces).**
- **Potential open pit expansions to both the Mousehollow and Hidden Secret projects, as previously announced on January 23, January 29 and February 27, 2020.**
- **Normal Course Issuer Bid Announced: On April 15, 2020 RNC announced that it had received the approval of the Toronto Stock Exchange (the "TSX") for a normal course issuer bid to purchase up to 30,415,198 of its issued and outstanding common shares (the “Bid”). Any purchases made under the Bid would, among other factors, reflect RNC's belief that its common shares trade at a significant discount to their underlying value.**

Paul Andre Huet, Chairman & CEO, commented: “I am very pleased with our strong first quarter operating performance, which is reflected in the solid financial results reported today. Despite challenges associated with the Australian bushfires, the subsequent heavy rainfall and the current COVID-19 situation, RNC reported a strong start to 2020, with first quarter gold production totaling 24,816 oz. Not only did we deliver strong production, but we also continued our downward trend in AISC, in line with our US\$1,000 per ounce target by the end of 2020. AISC of US\$1,101 per ounce sold during the quarter was a US\$30 per ounce improvement over the fourth quarter of 2019.

The continued improvements made in our AISC performance were achieved despite increased costs associated with the bushfires and inclement weather as well as the double-shifting of mining operations in excess of milling rates in order to continue to build stockpiles from Beta Hunt and Higginsville ahead of the mill. This is a remarkable achievement by our Australian operations and something I am personally very proud of.

While we currently do not anticipate any material impact on RNC’s operations, including with respect to suppliers, service providers and employees due to the ongoing global COVID-19 pandemic, management continues to monitor developments in order to be in a position to take appropriate actions as needed. Management has elected to increase ROM stockpile levels, which now total 106,000 tonnes, should disruptions to the mine site or supply chain occur in the future. This strategy proved prudent ahead of the Australian bushfires, which affected both Q4 2019 and Q1 2020.

As a result of the proactive approach we’ve taken to manage these challenges over the last two quarters, we remain on track to achieve our 2020 gold production guidance of 90,000-95,000 ounces and AISC<sup>1</sup> of US\$1,050-\$1,200 per ounce sold, assuming no significant interruption in operations as a result of the COVID-19 virus.

During the quarter, our operations continued to generate strong cash flow despite the significant logistical challenges. With a cash balance of \$38.4 million, net of delivery of \$5.3 million into our hedges, RNC is currently in the strongest financial position in its history and we look forward to continuing to deliver for our stakeholders this year.”

## COVID-19 Preparedness

Further to RNC's news release dated March 18, 2020, the Corporation has continued to maintain strict control measures at its operations in response to the COVID-19 pandemic. Procedures are in place to ensure operating sites remain as prepared and responsive to the situation as possible. RNC has been actively monitoring the advice of local health authorities and has mandated that site personnel take precautions when traveling to and from site, along with isolation periods should anyone exhibit symptoms consistent with COVID-19. RNC's full-time nurse and supporting medical staff are monitoring the status of individuals entering and leaving site and the operations have been sealed off from any outside visitors not critical to business operations.

RNC will continue to adapt to this fluid situation, with its top priority being the health and safety of its employees and stakeholders.

## Results of Operations

**Table 1 - Highlights of operational results for the periods ended March 31, 2020 and 2019**

| For the three months ended March 31,                       | 2020    | 2019    |
|--|---------|---------|
| <b>Gold Operations (Consolidated)</b>                      |         |         |
| Tonnes milled (000s)                                       | 314     | 50      |
| Recoveries   | 93%     | 92%     |
| Gold milled, grade (g/t Au)                                | 2.35    | 3.20    |
| Gold produced (ounces)                                     | 24,816  | 4,778   |
| Gold sold (ounces)   | 24,626  | 6,375   |
| Average realized price (US \$/oz sold)                     | \$1,493 | \$1,211 |
| Cash operating costs (US \$/oz sold) <sup>1</sup>          | \$965   | \$898   |
| All-in sustaining cost (AISC) (US \$/oz sold) <sup>1</sup> | \$1,101 | \$1,030 |
| <b>Gold (Beta Hunt Mine)<sup>1</sup></b>                   |         |         |
| Tonnes milled (000s)                                       | 186     | 50      |
| Gold milled, grade (g/t Au)                                | 2.58    | 3.20    |
| Gold produced (ounces) <sup>1</sup>                        | 17,170  | 4,778   |
| Gold sold (ounces)   | 17,078  | 6,375   |
| Cash operating cost (US \$/oz sold) <sup>1</sup>           | \$944   | \$898   |
| <b>Gold (HGO Mine)</b>                                     |         |         |
| Tonnes milled (000s)                                       | 128     | -       |
| Gold milled grade (g/t Au)                                 | 2.00    | -       |
| Gold produced (ounces)                                     | 7,646   | -       |
| Gold sold (ounces)   | 7,548   | -       |
| Cash operating cost (US \$/oz sold) <sup>1</sup>           | \$1,013 | -       |

1. Non-IFRS: the definition and reconciliation of these measures are included in the Non-IFRS Measures section 14 of RNC's MD&A dated May 6, 2020.

On a consolidated basis, 314,000 tonnes were milled in the first quarter of 2020 at an average gold grade of 2.35 g/t, to produce a total of 24,816 ounces of gold. Mill availability remained in a stable

range, averaging over 95% consistent with the prior quarter. Production during the first quarter of 2020 consisted of material from Beta Hunt underground, Baloo open pit, Fairplay North open pit and a small amount of stockpile material. The first quarter milled grade of 2.35 g/t was lower than the grade of 2.60 g/t in the prior quarter partially due to the processing of lower grade stockpile material to offset the impact of regional road closures during the Australian bushfires and subsequent flooding from heavy rainfalls.

Cash operating costs<sup>1</sup> and AISC<sup>1</sup> were US\$965 and US\$1,101 per ounce sold respectively on a consolidated basis for the first quarter of 2020.

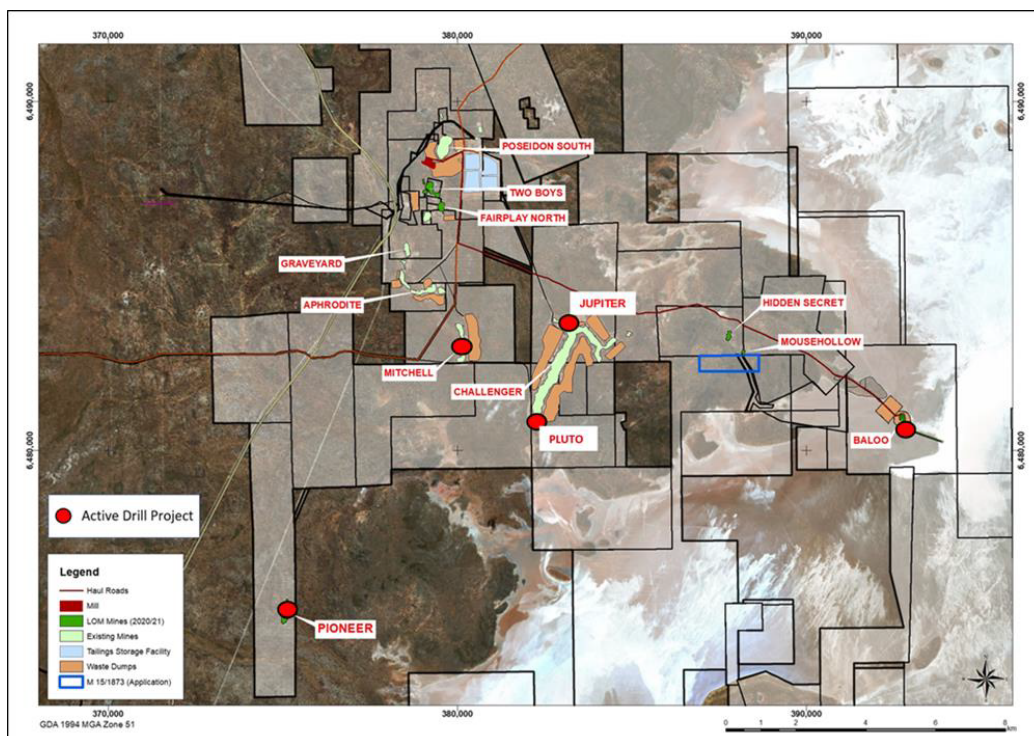
Following the strong start to the year, RNC is maintaining its consolidated production and cost guidance for its Australian operations (Beta Hunt and HGO) of 90,000 to 95,000 ounces of gold at an average AISC<sup>1</sup> of US\$1,050 to US\$1,200 per ounce sold. RNC continues to target AISC<sup>1</sup> costs of approximately US\$1,000 per ounce sold by the end of 2020.

1. Reference is made to the Non-IFRS Measure section 14 of RNC's MD&A dated May 6, 2020.

### A Growing HGO Project Pipeline and Exploration

Figure 1 below shows a number of areas where RNC is either actively advancing or evaluating as high-priority exploration targets at Higginsville. In addition to ongoing exploration at Baloo, where mining has been underway since the HGO acquisition last June, and Fairplay North where mining began in December 2019, a number of projects covered under the re-negotiated Morgan Stanley royalty are now considered high priority. These areas include Aquarius, Hidden Secret, Mousehollow, Pioneer, the Two Boys extension and the paleochannel deposits.

**Figure 1: Plan view of active HGO mines and exploration projects**



Please see previous announcements for drilling results and details accompanying the following brief summary of first quarter project developments.

On January 23, 2020, RNC announced that Baloo Stage 1 mining has been extended to June 2020. Stage 2 approvals were subsequently announced on January 29, 2020, which is expected to extend the open pit mine life through to January 2021. Development and mining of the Fairplay North open pit continued with Stage 1 expected to extend through July 2020, followed by Stage 2 through late 2020.

With respect to drilling, RNC announced that 20 resource definition holes totalling 492 metres and 19 exploration holes totalling 1,897 metres at **Baloo** had been completed since the acquisition of HGO. Drilling focused on the Eastern Footwall and down-dip plunge extensions of Baloo mineralization with the aim up increasing and upgrading the existing resource base.

Also on January 23, 2020, the Corporation announced it had completed 26 resource definition RC holes totalling 1,721 metres at **Fairplay North**. Drilling focused on upgrading the existing historical resource within and on the margins of an optimised pit shell. Assay results confirmed the extension of near surface supergene mineralization.

On January 29, 2020, RNC announced that a high-density gravity survey had identified a newly interpreted structure extending over 5 km in length and 5 km north of the previously mined high grade underground Trident gold deposit. Trident was mined by the previous owners, Alacer Gold, producing over 1 million ounces. The new structure is considered to have high potential for mineralization and will be part of HGO's 2020 exploration program.

On February 27, 2020, RNC announced the initial results from the 2020 exploration drilling program. Drilling at the **Hidden Secret** and **Mousehollow** projects returned strong results, driving the expansion of proposed open pit dimensions at both projects. Additionally, the ongoing review of the extensive historical database at Higginsville continued to return significant targets for future exploration including the high grade Aquarius Project located just 2.5 km south of the HGO plant.

### **Beta Hunt Mine**

During the first quarter of 2020, 186,000 tonnes of Beta Hunt ore was milled at a grade of 2.58 g/t for production of 17,170 ounces of gold.

Beta Hunt production is mainly focused on the Western Flanks and A Zone mining areas. A number of stoping areas are being developed within the Western Flanks that will access some of the wider Beta Hunt stoping blocks (up to 20 metres wide). Mining rates at Beta Hunt are currently 50,000-55,000 tonnes per month (up from 40,000-50,000 tonnes per month in 2019). This rate is expected to continue as part of the Beta Hunt expansion plan.

## Financial Highlights

**Table 2 - Highlights of First Quarter Financial Results**

(in thousands of dollars except per share amounts)

| For the three months ended March 31,  | 2020            | 2019     |
|---|-----------------|----------|
| Revenue   | <b>\$54,282</b> | \$10,863 |
| Production and processing costs   | <b>27,286</b>   | 6,498    |
| Earnings (loss) before income taxes   | <b>884</b>      | (1,577)  |
| Net earnings (loss)   | <b>539</b>      | (1,577)  |
| Basic and diluted loss per share  | <b>0.00</b>     | (0.00)   |
| Adjusted EBITDA <sup>1,2</sup>  | <b>13,581</b>   | (166)    |
| Adjusted EBITDA per share <sup>1,2</sup>  | <b>0.02</b>     | (0.00)   |
| Adjusted earnings <sup>1</sup>  | <b>12,600</b>   | (373)    |
| Adjusted earnings per share <sup>1</sup>  | <b>0.02</b>     | (0.00)   |
| Cash flow provided by (used in) operating activities                            | <b>11,476</b>   | (3,759)  |
| Cash investment in property, plant and equipment and mineral property interests | <b>(7,702)</b>  | (7,743)  |

1. Non-IFRS: the definition and reconciliation of these measures are included in the Non-IFRS Measures section of RNC's MD&A dated May 7, 2020.

2. Earnings before interest, taxes, depreciation and amortization ("EBITDA").

Adjusted EBITDA and Adjusted Earnings of \$13.6 million and \$12.6 million were up from \$(0.2) million and \$(0.4) million in 2019. During the first quarter of 2019, bulk mining was temporarily ramped down at Beta Hunt for drilling and there was no contribution from HGO which was acquired in June 2019.

**Table 3 - Highlights of RNC's Financial Position**

(in thousands of dollars):

| For the period ended         | March 31, 2020  | December 31, 2019 |
|------------------------------|-----------------|-------------------|
| Cash and cash equivalents    | <b>\$38,407</b> | \$34,656          |
| Working capital <sup>1</sup> | <b>30,692</b>   | 26,506            |
| PP&E & MPI                   | <b>99,566</b>   | 98,955            |
| Total assets                 | <b>179,111</b>  | 177,777           |
| Total liabilities            | <b>82,700</b>   | 85,495            |
| Shareholders' equity         | <b>96,411</b>   | 92,282            |

<sup>1</sup> Working capital surplus (deficit) is a measure of current assets (including cash and cash equivalents) less current liabilities.

RNC ended the first quarter of 2020 with a strong cash position of \$38.4 million, an increase of \$3.7 million compared to December 31, 2019. The increase in cash position is net of \$5.3 million cash payments into gold hedge arrangements. As of March 31, 2020, 5,500 gold ounces remained in the hedge program which are scheduled to be delivered during the second quarter of 2020, at which point RNC will be hedge free. As at March 31, 2020, RNC had a working capital surplus of \$30.7 million compared to a \$26.5 million surplus as at December 31, 2019 for an improvement of \$4.2 million.

For a complete discussion of financial results, please refer to RNC's MD&A and unaudited condensed interim financial statements for the three months ended March 31, 2020 and 2019.

## **Conference Call / Webcast**

RNC will be hosting a conference call and webcast today beginning at 10:00 a.m. (Eastern time). A copy of the accompanying presentation can be found on RNC's website at [www.rncminerals.com](http://www.rncminerals.com).

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: [Webcast Link](https://produceredition.webcasts.com/starthere.jsp?ei=1307688&tp_key=c1d29cf000)  
([https://produceredition.webcasts.com/starthere.jsp?ei=1307688&tp\\_key=c1d29cf000](https://produceredition.webcasts.com/starthere.jsp?ei=1307688&tp_key=c1d29cf000))

A recording of the conference call will be available for replay through the webcast link, or for a one-week period beginning at approximately 1:00 p.m. (Eastern Time) on May 7, 2020, through the following dial in numbers:

North American callers please dial: 1-855-859-2056; Pass Code: 2859616

Local and international callers please dial: 416-849-0833; Pass Code: 2859616

## **Compliance Statement (JORC 2012 and NI 43-101)**

The disclosure of scientific and technical information contained in this news release has been reviewed and approved by Stephen Devlin, FAusIMM, Vice-President, Exploration & Growth, Salt Lake Mining Pty Ltd, a 100% owned subsidiary of RNC, a Qualified Person for the purposes of NI 43-101.

## **About RNC Minerals**

RNC is focused on growing gold production and reducing costs at its integrated Beta Hunt Gold Mine and Higginsville Gold Operations ("HGO") in Western Australia. The Higginsville treatment facility is a low-cost 1.4 Mtpa processing plant which is fed at capacity from RNC's underground Beta Hunt mine and open pit Higginsville mine. At Beta Hunt, a robust gold mineral resource and reserve is hosted in multiple gold shears, with gold intersections along a 4 km strike length remaining open in multiple directions. HGO is a highly prospective land package totaling approximately 1,800 square kilometers. In addition, RNC has a 28% interest in a nickel joint venture that owns the Dumont Nickel-Cobalt Project located in the Abitibi region of Quebec. Dumont contains the second largest nickel reserve and ninth largest cobalt reserve in the world. RNC has a strong Board and management team focused on delivering shareholder value. 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 and AISC guidance for 2020 and the potential of the Beta Hunt Mine, Higginsville Gold Operation and Dumont Nickel Project.*

*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; results of exploration programs; accidents, labour disputes, labour and operational disruptions due to the COVID-19 outbreak 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.

*Cautionary Statement Regarding the Higginsville Mining Operations*

*A production decision at the Higginsville gold operations was made by previous operators of the mine, prior to the completion of the acquisition of the Higginsville gold operations by RNC and RNC made a decision to continue production subsequent to the acquisition. This decision by RNC to continue production and, to the knowledge of RNC, the prior production decision were 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, which include 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 the Corporation's cash flow and future profitability. Readers are cautioned that there is increased uncertainty and higher risk of economic and technical failure associated with such production decisions.*

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**For more information, please contact:**

Rob Buchanan  
Director, Investor Relations  
T: (416) 363-0649  
[www.rncminerals.com](http://www.rncminerals.com)

In Europe:  
Swiss Resource Capital AG  
Jochen Staiger  
[info@resource-capital.ch](mailto:info@resource-capital.ch)  
[www.resource-capital.ch](http://www.resource-capital.ch)