May 30, 2019
Corporate Update

Equity Research

RNC MINERALS CORP.

Updated Feasibility Study for Dumont Nickel Project – Positive As Expected

EVENT

RNC released highlights of an updated feasibility study for its 28%-owned Dumont Nickel Project in the Abitibi, Quebec. The updated study sees a Phase I open pit operation mining 52.5ktpa with a Phase II expansion to 105ktpa. Average nickel production in concentrate over the 30-year mine life is 87Mlbs annually with all-in sustaining costs of US$3.80/lb. With initial capital expenditures of US$1.0B and an additional US$601M in expansion capital, the project generates an NPV8% of US$936M and 15.4% IRR. Identified upside opportunities could add US$290 –$425M to the NPV.

BOTTOM LINE

Positive: The results of the study are an improvement over those released in 2013 with the new upside opportunities identified having the potential to add significant value to the project. The base case NPV8% breakeven nickel price of $5.86/lb remains above spot but well below our long term price forecast of US$8.00/lb. We will wait for the full technical report before updating our model but the highlights are broadly in-line with our estimates so we would not expect a material change to our valuation. Our Buy rating and $1.10 target remains unchanged.

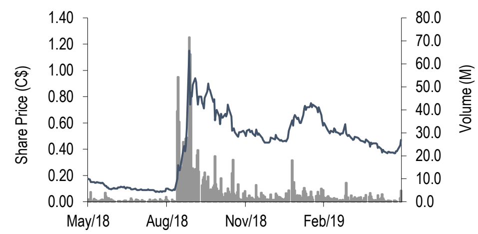
HIGHLIGHTS

- **Dumont Nickel Project Updated:** The Dumont Nickel-Cobalt Project is a rare, Tier 1, shovel-ready nickel sulphide project located in pro-mining Quebec, Canada. The updated feasibility study shows and NPV8% of US$936M and an IRR of 15.4%.
- **Growing Gold Producer:** The Beta Hunt Mine produced 74koz of gold in 2018 and is gearing up for over 100koz annually from 2020 with upside from specimen gold discoveries. With the Higginsville acquisition, RNC will have secured a lower cost milling solution for its Beta Hunt mine as well as a diversified production and revenue stream.
- **Near-Term Catalysts Include:** i) Closing of Higginsville acquisition (Q2/19), ii) drill results from Beta Hunt (ongoing) and iii) new resource for Beta Hunt (H2/19).

Recommendation:	**BUY**
Symbol/Exchange:	RNX-TSX
Sector:	Metals & Mining
All dollar values in C$ unless otherwise noted.	
Current price:	$0.47
One-year target:	$1.10
Target return:	134%
52-week Range:	$0.07 - $1.18

Financial Summary	
Market Cap ($M)	$258.4
Cash on hand ($M)	$10.0
Debt ($M)	$0
Basic Shares O/S (M)	549.8
Fully Diluted Shares O/S (M)	585.5
Avg. Weekly Volume (k)	1,490

	2018A	2019E	2020E	2021E
Gold Produced (koz)	51.6	34.7	98.4	101.5
Cash Cost (US$/oz)	$1,081	$829	$720	$764
AISC (US$/oz)	$1,341	$1,110	$767	$802
EPS	($0.02)	$0.01	$0.09	$0.08
CFPS	($0.02)	$0.02	$0.10	$0.09
Free CFPS	($0.04)	($0.10)	$0.09	$0.08
Dividend/shr	N/A	N/A	N/A	N/A



Company Profile: RNC is junior gold producer and base metal developer. Its principal assets are the Beta Hunt gold mine in Western Australia and a 28% stake in the world class Dumont Nickel-Cobalt Project located in the Abitibi mining camp in Quebec.

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See disclosure and a description of our recommendation structure at the end of this report.

UPDATED FEASIBILITY FOR DUMONT NICKEL

Highlights: RNC reported results and highlights of its updated feasibility study for its 28%-owned Dumont Nickel Project in the Abitibi, Quebec. RNC is manager of the Dumont Joint Venture with Arpent Inc., a subsidiary of Waterton Precious Metals Fund II Cayman, LP and Waterton Mining Parallel Fund Offshore Master, LP. The updated study sees a Phase I open pit operation mining 52.5ktpa with a Phase II expansion to 105ktpa in year 8. Phase I nickel production in concentrate is 73Mlbs ramping up to 111Mlbs with average production over the 30-year mine life of 87Mlbs annually. Phase I C1 cash costs are US$2.98/lb increasing to US$3.30/lb in Phase II for LOM C1 cash costs of US$3.22/lb. Phase I AISC are US$4.19/lb decreasing to US$3.80/lb in Phase II for LOM AISC of US$3.80/lb. With initial capital expenditures of US$1.0B and an addition US$601M in expansion capital, the project generates an NPV8% of US$936M and a 15.4% IRR. Metal price assumptions used in the study are US$7.75/lb nickel, US$25/lb cobalt, platinum and palladium prices of US$1,000/oz and a USD:CAD exchange rate of 0.75.

Exhibit 1: Dumont Nickel Project Operating and Cost Summary - 2019

Production	Units	52.5 ktpd Year 1-7	105 ktpd Pit Year 8-19	Life-of-Mine Year 1-30
Ore Mined[1]	Mt	252	732	1,028
Expit Mining Rate	Ktpd	259	298	224
Strip Ratio[1]	Waste : Ore	1.43	0.86	1.02
Ore Milled	Mt	122	477	1,028
Ore Grade	% Ni	0.33	0.28	0.27
Ni Recovery	%	53%	47%	43%
Co Recovery	%	45%	37%	33%
PGE Recovery	%	65%	61%	62%
Nickel In Concentrate	ktpa (M lbs)	33 (73)	50 (111)	39 (87)
Cobalt In Concentrate	ktpa (M lbs)	0.9 (2)	1.5 (3.4)	1.2 (2.6)
PGM In Concentrate	Koz pa	14	25	19
NSR	$/t ore	$27.00	$20.30	$17.75
Mine (ore milled)	$/t ore	$5.33	$4.10	$2.86
Process	$/t ore	$3.98	$3.90	$3.90
G&A	$/t ore	$0.73	$0.40	$0.41
Total Site Costs	$/t ore	$10.04	$8.40	$7.17
	$/lb	$2.83	$3.14	$3.07
Realization	$/lb	$0.15	$0.16	$0.16
C1 Cash Cost	$/lb ($/tonne)	$2.98 ($6,566)	$3.30 ($7,268)	$3.22 ($7,109)
AISC	$/lb ($/tonne)	$4.19 ($9,242)	$3.80 ($8,369)	$3.80 ($8,384)

1. Totals include pre-stripping of 42 Mt, including 13 million tonnes of ore, before mill production commences.

Source: RNC Minerals

Exhibit 2: Dumont Nickel Project Capital Cost Summary - 2019

($ millions)	Initial Capital	Expansion Capital	Sustaining Capital	LOM Capital
Mine	$223	$0	$450	$674
Process Plant[3]	$346	$335	$48	$729
Tailings	$36	$23	$125	$185
Infrastructure	$206	$118	$0	$324
Indirect Costs[4]	$123	$71	-$12	$182
Contingency[5]	$83	$53	$0	$137
Total	**$1,018**	**$601**	**$611**	**$2,230**

1. Accuracy of capital cost estimates are +/- 15%
2. Totals may not add due to rounding
3. Infrastructure costs for sustaining capital are included in process plant costs
4. Includes first fills and the associated $12 million release in sustaining capital at the end of the project life
5. Contingency excludes a growth allowance of 5.1% that has been included in the direct capital costs of applicable elements. A total of $69 M of growth allowance was included - $38M for initial capital and $31M for the expansion.

Source: RNC Minerals

The main changes over the 2013 feasibility study are revised metal prices and F/X rates along with more detailed work on capital and operating cost estimates. Technical improvements focused on an updated mine design, alternate path for concentrate sales and additional engineering work on tailings management and tailings storage facility design. Highlights include:

- **Increased electrification:** An increase in the electrification of the mine by incorporating trolley assist on the main ramps. This will reduce cycle times and reduce diesel consumption by over 35%.

- **Alternate route to market:** The feasibility has included concentrate roasting and conversion to ferronickel as the route to market for the nickel concentrate. Based on market studies and work with Tsingshan, sale of Dumont's high grade 29% Ni concentrate should receive much higher payability than traditional smelters (up to 94%). For purposes of the feasibility study update, a more conservative payability of 91.5% was assumed. With roasting, no payment will be realized for the cobalt and PGMs contained in concentrate. However, as a concentrate producer Dumont can treat the concentrate via conventional smelting and refining at higher cobalt and/or PGM prices where it will be more economic to do so. It can also pursue alternate processes for its high grade concentrate such as sulphation roasting to allow the nickel and cobalt to be utilized by the battery industry. RNC continues to evaluate and discuss with potential partners a range of market alternatives for concentrate treatment.

- **Smaller Footprint:** The mining footprint and production rates have been significantly reduced during the pre-strip and initial 5 years of operation. In addition, based on the recent experiences of large Canadian open pits mining similar material, the decision has been made to employ smaller, more maneuverable equipment for stripping overburden and opening up the initial faces in bedrock. The higher unit costs for smaller equipment will be offset by greater certainty in their productivity, which will reduce the risk associated with production and cost targets during the early years of operation.

- **Mining Rate:** The mining rate has been maintained at approximately twice the milling capacity to accelerate delivery of the highest value ore to the process plant. Lower value ore that is initially stockpiled will be processed once the open pit is exhausted. In addition to maximizing project value, this operating philosophy provides a buffer to ensure there is adequate feed to keep the plant at capacity during the early years of operation while the pit is ramping up.

- **Tailings Storage Facility (TSF):** Design improvements have improved stability of the TSF and increased the capacity for carbon dioxide sequestration. The revised mine design also reduces the tonnage requiring impoundment in the TSF by 12%.

The overall impact of the revised feasibility study is that the project has been further de-risked and delivered an improvement in financial returns with IRR increasing to 15.4% from 15.2%. Initial capital was reduced by US$173 million and the NPV8% was reduced by approximately US$217 M.

Exhibit 3. Comparison of 2013 study with 2019 study

	Units	Feasibility Study May 30, 2019[1]	Feasibility Study Jun. 17, 2013[2]
Ore Mined	Mt	1,028	1,179
Strip Ratio	Waste:Ore	1.02	1.13
Nickel Recovery	% nickel	43	43
Project Life	Years	30	33
Ni in Concentrate	Kt (Mlbs)	1,191 (2,625)	1,353 (2,982)
Co in Concentrate	Kt (Mlbs)	36 (79)	53 (117)
PGEs in Concentrate	Koz	569	639
Total C1 Costs	$/lb Ni *($/t Ni)*	$3.22 ($7,099)	$4.79 ($10,560)
By-product Credits	$/lb Ni *($/t Ni)*	$0.00	$0.48 ($1,058)
Net C1 Costs	$/lb Ni *($/t Ni)*	$3.22 ($7,099)	$4.31 ($9,502)
Average EBITDA	$M pa	$340	$381
Free Cash Flow[3]	$M pa	$201	$228
Initial Capital	$B	$1.0	$1.2
Total Capital	$B	$2.2	$2.8
Pre-Tax $NPV_{8\%}$	$M	$1,713	$2,003
Pre-Tax IRR		19.9%	18.7%
Post-Tax $NPV_{8\%}$[4]	$M	$920	$1,137
	C$M	$1,226	$1,330
Post-Tax IRR		15.4%	15.2%

Source: RNC Minerals

The feasibility study was completed by Ausenco, a global leader in engineering and project management services for the resource and energy sectors with an expertise and experience with similar sized, large scale base metal projects. Ausenco has successfully designed and constructed the Lumwana concentrator (55 ktpd), the Phu Kham concentrator (33 ktpd) and the US$1.75 billion Constancia project (80 ktpd concentrator).

Upside Opportunities: The Joint Venture has identified a number of additional upside opportunities that have the potential to add additional value to the project but were not included as the base case of the feasibility study as they have not as yet been advanced to a feasibility level. Identified upside opportunities could add US$290 –$425M to the NPV. These include:

1) **Autonomous Fleet Operation** (NPV8%: +US$75 - +US$115M): Based on pre-feasibility (PFS) level assessment, the implementation of an Autonomous

Haulage System (AHS) could reduce the peak truck fleet by 20% and reduce site-wide AISC by over 3%. RNC is continuing discussions with various mining equipment suppliers to understand the impacts and benefits in greater detail.

2) **Alternate Development Scenario – 75ktpd Start-up** (NPV8%: +US$155 - +US$210M): The Alternate Scope utilizes a modified grinding circuit to achieve initial production of 75 ktpd, with a modest expansion in Year 6 to 100 ktpd. While the initial capital required for the 75 ktpd Alternate Scope is approximately 20% higher than that of the Base Case, the modified circuit leads to greater capital efficiency over the life of project, reducing total capital by approximately 5%.

3) **Iron Ore (Magnetite) Concentrate** – Potential By-product Credit (NPV8%: +US$60 - +US$100M): Dumont ore contains 44.9 Mt of magnetite (average grade 4.37% magnetite) and test work indicated that recovery of 46% to a concentrate grading 63% iron could be achieved. The sale of magnetite concentrate would have the added benefit of reducing the tonnage impounded in the TSF by approximately 14 Mt. Further testwork and market analysis will be required before inclusion in the base case for the project.

POTENTIAL SPIN-OUT

As RNC has gained traction and success as a gold story, the Dumont project is no longer a good fit and not realizing its full value, in our view. After delivery of the updated Feasibility Study, we expect the Company to consider spinning out the asset into a Newco, particularly as the nickel market improves. This would be a way to unlock value as there are very few publically traded nickel projects and none that we have seen that are of the scale and permitted like Dumont.

VALUATION AND TARGET

We continue to apply a sum-of-parts NAV approach in valuing RNC minerals. We will wait for the full technical report before updated our model for changes to the Dumont Nickel project but the highlights are broadly in-line with our estimates so we do not expect a material change to our valuation. Our Buy rating and $1.10 target remains unchanged (Exhibit 4).

Exhibit 4. NAV Summary for RNC Minerals

(C$ million, unless otherwise indicated)				
Mining Assets	**Ownership**	**Valuation**	**NAV**	
			($M)	**$/sh**
Beta Hunt	100%	1.25x DCF5%	470.3	0.85
Higginsville Mining	100%	1.0x DCF5%	15.8	0.03
Toll Treatment Business	100%	1.0x DCF8%	26.7	0.05
Dumont	28%	0.25x DCF8%	110.2	0.20
Total Mining Assets			623.0	1.13
Financial Assets				
Pro-forma Cash and Investments			5.7	0.01
Pro-forma Debt			(25.3)	-0.05
Net Financial Assets			(19.6)	-0.04
Net Asset Value			603.4	1.09
Target NAV per Diluted Share (rounded)				1.10
Basic shares outstanding (MM)				497.8
Diluted shares outstanding (MM)[1]				552.8
Fully diluted shares outstanding (MM)				585.5

[1]Includes 12-mo ITM options & warrants and share dilution associated with HGO acquisition

Source: Cantor Fitzgerald

CATALYSTS:

We see the following near-term catalysts that should drive the stock higher towards our target price:

Beta Hunt Exploration Results - ongoing: The Company is engaged in a +40,000m drill program at Beta Hunt to expand and improve the current resource as well as further target ultra high grade specimen gold zones.

Closing of Higginsville Acquisition – Q2/19: RNC is expected to close the acquisition of the Higginsville Gold Operation on or around June 4th providing a lower cost milling operation for Beta Hunt and a second gold mining asset.

Beta Hunt Resource Update – Q2/19: Following the drill program RNC will compile and release an updated resource which we expect will be see a significant increase in size and average grade.

SUMMARY

RNC Minerals Corp. - Summary Sheet

Rating	**BUY**	**Basic Shares (MM)**	**497.8**	**Cantor Fitgerald**
Target Price	**$1.10**	**Diluted Shares (ITM / FD) (MM)**	**585.5**	**Matthew O'Keefe**
Share Price	**$0.47**	**Basic Mkt Basic Mkt Cap (C$MM)**	**258.4**	**416-849-5004**
Potential Return	**134%**	**Enterprise Value (C$MM)**	**248.4**	**matthew.o'keefe@cantor.com**

BALANCE SHEET

C$MM, Jun30.YE	2018E	2019E	2020E	2021E	2022E
Assets					
Cash	1.3	5.7	56.1	101.7	149.6
Other Current Assets	11.0	9.4	9.4	9.4	9.4
Current Assets	11.0	15.1	65.5	111.0	158.9
Non-current Assets	47.1	112.7	114.5	115.3	115.4
Total Assets	58.0	127.8	180.0	226.3	274.3
Liabilities					
Current Liabilities	29.9	21.7	21.7	21.7	21.7
Long Term Debt	0.3	25.3	25.3	25.3	25.3
Other Liabilities	1.6	2.3	2.3	2.3	2.3
Total Liabilities	31.9	49.3	49.3	49.3	49.3
Shareholder Equity	26.1	78.5	130.7	177.0	225.0
	-	-	-	-	-

INCOME STATEMENT

C$MM, Jun30.YE	2018E	2019E	2020E	2021E	2022E
Total Revenue	128.8	94.3	209.5	205.3	207.1
Operating Costs	101.7	66.8	125.0	128.8	129.6
G&A	7.3	7.5	7.5	7.5	7.5
Exploration	-	2.0	2.0	2.0	1.0
Other	-	-	-	-	-
EBITDA	20.7	17.0	79.2	71.2	73.8
Depreciation	7.9	2.5	4.2	4.3	4.9
Unusual/Other Items	15.7	4.9	8.4	8.5	9.8
EBIT	12.9	14.5	75.0	66.9	69.0
Interest Expense	-	-	-	-	-
EBT	(0.7)	25.2	76.1	68.8	69.8
Taxes	(0.5)	(6.0)	(22.8)	(20.6)	(21.0)
Other	(9.8)	(25.3)	(46.8)	(43.2)	(42.8)
Net Income (Reported)	(10.0)	6.0	52.2	46.3	48.0
Net Income (Adjusted)	(10.0)	6.0	52.2	46.3	48.0
EPS (Adjusted) ($/sh)	$ (0.02)	$ 0.01	$ 0.09	$ 0.08	$ 0.09
Average shares (MM)	446.3	549.8	549.8	549.8	549.8

CASH FLOW STATEMENT

C$MM, Jun30.YE	2018E	2019E	2020E	2021E	2022E
Cash Flow from Operations					
Net Income	(10.0)	6.0	52.2	46.3	48.0
Non-Cash Items	8.0	2.5	4.2	4.3	4.9
WC changes	-	-	-	-	-
Total CF Operations	**(8.3)**	**9.4**	**56.4**	**50.5**	**52.9**
CF Operations($/sh)	$ (0.02)	$ 0.02	$ 0.10	$ 0.09	$ 0.10
Cash Flow from Investing					
Capital Expenditures	(10.5)	(63.1)	(6.0)	(5.0)	(5.0)
Other Investments	(8.5)	-	-	-	-
Total CF Investing	**(18.9)**	**(63.1)**	**(6.0)**	**(5.0)**	**(5.0)**
Cash Flow from Financing					
Debt Financing	3.9	27.4	-	-	-
Equity Financing	1.6	39.7	-	-	-
Options & Warrants	12.0	0.6	-	-	-
Repayments & Costs	(9.1)	(6.6)	-	-	-
Total CF Financing	**4.2**	**60.8**	**-**	**-**	**-**
Change In Cash	**(23.1)**	**4.4**	**50.4**	**45.5**	**47.9**
Free Cash Flow	(18.8)	(53.7)	50.4	45.5	47.9

VALUATION DATA

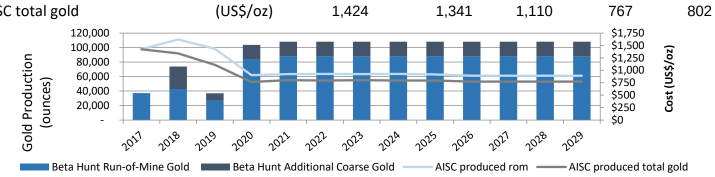
	2018E	2019E	2020E	2021E	2022E
P/E	NM	48.9x	5.0x	5.6x	5.4x
P/CF	NM	27.5x	4.6x	5.1x	4.9x
P/NAV		0.43x			
EV/EBITDA	12.0x	14.6x	3.1x	3.5x	3.4x
FCF Yield	NM	NM	0.2x	18%	19%
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

RESOURCE SUMMARY

	Beta Hunt			Higginsville			Total
	Mt	Grade (g/t)	Gold (oz)	Mt	Grade (g/t)	Gold (oz)	(oz)
M&I	2.4	3.2	239,000	19.1	2.0	1,242,000	1,481,000
Inferred	2.0	3.2	207,000	10.6	2.0	682,000	889,000
M&I+I	4.4	3.2	446,000	29.7	2.0	1,924,000	2,370,000
Dumont Nickel	**Mt**	**Ni (%)**	**Co (%)**	**Ni (Mlbs)**	**Co (Mlbs)**	**NiEq%**	**NiEq (kt)**
Reserves (P&P)	1,028	0.27	0.011	6,082	243	0.30	6,690
M&I Resource	1,666	0.27	0.011	9,750	394	0.29	10,735
Inferred	500	0.26	0.010	2,862	112	0.29	3,142
Total M&I+I	2,165	0.26	0.011	12,612	506	0.29	13,877

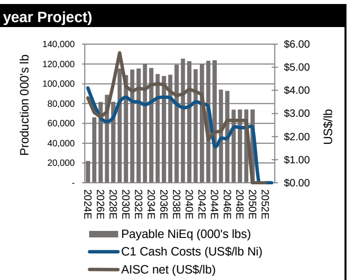
OPERATING STATISTICS - BETA HUNT MINE

Production		2017A	2018A	2019E	2020E	2021E
Throughput	(tpd)	1,475	1,422	719	1,900	2,000
Gold Grade	(g/t)	2.2	2.6	3.2	3.8	3.8
Gold Production	(oz)	35,307	51,551	34,655	98,397	101,496
Additional Coarse Gold	(oz)	-	31,139	10,069	20,000	20,000
Total Gold Produced	**(oz)**	**37,027**	**73,801**	**36,867**	**103,576**	**107,974**
Effective grade	(g/t)	2.17	4.48	4.43	4.71	4.66
AISC run-of-mine	(US$/oz)	1,424	1,620	1,435	903	925
AISC total gold	(US$/oz)	1,424	1,341	1,110	767	802



PROJECT SUMMARY - Dumont Nickel (100% Basis; 30+ year Project)

		2013 DFS	Cantor
Production			
Throughput	(ktpd)	52.5 - 105	52.5 - 105
Ni	(Mlbs/yr)	84.1	89
C1 Costs Net	(US$/lb)	4.30	3.11
Capital Expenditures			
Upfront	($M)	1,268	1,283
Expansion	($M)	997	983
Sustaining	($M)	823	813
Economics			
NPV8%	(US$M)	$1,137	1,311
IRR	(%)	15.9%	18.1%



NET ASSET VALUE

Asset	Valuation	(NAV ($M)	$/Share
Beta Hunt	1.25x DCF5%	470.5	$0.85
HGO	1.0x DCF5%	42.6	0.08
Dumont (28%)	0.25x DCF8%	93.1	$0.19
Total Mining Assets		**618**	**$1.12**
Pro-Forma WC		6	$0.01
Debt		(25)	-$0.05
Net Financial Assets		**(20)**	**-$0.04**
Total		**$598**	**$1.08**

Target Price Breakdown

NAV Valuation			
	Per share	Multiple	Value
Mining Assets	$1.12	1.0x	$1.12
Financial	-$0.04	1.0x	-$0.04
Total	$1.08		$1.08
Target Weightings			
NAV		100%	$1.08
P/CF (FTM)		0%	$0.00
TARGET PRICE			**$1.10**

INPUT PRICES

	2018E	2019E	2020E	2021E	2022E
Gold (US$/oz)	1,268	1,300	1,325	1,325	1,325
Nickel ($US/lb)	5.00	6.50	7.00	7.50	8.00
Cobalt	35	20	30	30	35
Platinum	900	900	900	900	900
Palladium	1,400	1,400	1,400	1,400	1,400
Key Currencies					
CDN:USD	0.75	0.74	0.78	0.78	0.78

Source: Consensus data - Factset, Historical Data – Company Filings, Forecasts/estimates – Cantor Fitzgerald Canada

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