

TSX : RNX

RNC MINERALS

# SKO Purchase Option and Toll Processing Agreement

**RNC**



February 13, 2017

## **Cautionary Statements Concerning Forward-Looking Statements**

This presentation provides certain financial measures that do not have a standardized meaning prescribed by IFRS. Readers are cautioned to review the stated footnotes regarding use of non-IFRS measures.

This presentation contains "forward-looking information" including without limitation statements relating to the guidance for production; costs of sales, C1 cash costs, all-in sustaining costs and capital expenditures, and relating to the potential of the Beta Hunt Mine and the Reed Mine.

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 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 presentation 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 Beta Hunt Mine**

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 and includes inferred resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. 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.

## **Cautionary Note to U.S. Readers Regarding Estimates of Resources**

This presentation uses the terms "measured" and "indicated" mineral resources and "inferred" mineral resources. The Company advises U.S. investors that while these terms are recognized and required by Canadian securities administrators, they are not recognized by the SEC. The estimation of "measured" and "indicated" mineral resources involves greater uncertainty as to their existence and economic feasibility than the estimation of proven and probable reserves. The estimation of "inferred" resources involves far greater uncertainty as to their existence and economic viability than the estimation of other categories of resources. It cannot be assumed that all or any part of a "measured", "inferred" or "indicated" mineral resource will ever be upgraded to a higher category.

Under Canadian rules, estimates of "inferred mineral resources" may not form the basis of feasibility studies, pre-feasibility studies or other economic studies, except in prescribed cases, such as in a preliminary economic assessment under certain circumstances. The SEC normally only permits issuers to report mineralization that does not constitute "reserves" as in-place tonnage and grade without reference to unit measures. Under U.S. standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. U.S. investors are cautioned not to assume that any part or all of a "measured", "indicated" or "inferred" mineral resource exists or is economically or legally mineable. Information concerning descriptions of mineralization and resources contained herein may not be comparable to information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC.

## Today's announcement is a significant step forward for RNC and its Beta Hunt mine

- **12 month tolling agreement with Westgold's Jubilee Mill**
  - Lowers tolling and transportation costs - generating \$7 million in savings over 12 month period - reduces AISC costs by \$US80 per ounce during tolling period
- **Purchase option to acquire Westgold's South Kalgoorlie Operations (SKO) for A\$80M would transform RNC's Beta Hunt mine / Western Australian assets**
  - A multi-mine operation anchored by 1.2 Mtpa mill with 4 million ounce resource base and 1000+ km<sup>2</sup> land package in prolific gold belt
  - Pro forma gold production of 125+ kozpa from 2 underground mines (Beta Hunt, HBJ) and several open pit mines at AISC of \$US950 per ounce
  - Locks in annual mill synergies of \$7 million with potential future annual savings to \$10-\$12 million with production growth at Beta Hunt
  - Option structure allows RNC to focus on realizing value from completion of the first phase ramp-up at Beta Hunt *before* exercising with a structure that maximizes value for our shareholders
- **Significant endorsement from experienced Western Australia operator**
  - Westgold (recent gold spinout from Metals X) is receiving a total of \$8 million in RNC paper (\$4 million for purchase option and \$4 million for right to toll) and is willing to accept additional RNC equity as part of the consideration for a purchase of SKO up to 19.9% of RNC
  - Westgold (Metals X) is an experienced and well-respected Western Australia mining company

# Summary of Transaction Terms

**RNC to acquire a purchase option and toll milling rights at SKO in exchange for 23.4 million common shares of RNC, worth approximately A\$8 million**

## Purchase Option:

- Westgold has granted RNC a six-month option (the “**Option**”) to purchase SKO, including all existing mining, milling, and infrastructure assets, for A\$80 million (the “**Purchase Price**”)
  - Option Fee:** In exchange for the Option, RNC will pay Westgold an upfront option fee of A\$4 million, equal to 5% of the Purchase Price, in common shares of RNC
    - Should RNC exercise the Option, this fee will be deducted from the Purchase Price
  - Extension:** RNC is entitled to extend the Option for an additional six months by paying an additional 5% of the Purchase Price (the “**Extended Option Payment**”)
    - Should RNC exercise the Option after six months, only the Extended Option Payment will be deducted from the Purchase Price

## Toll Milling Agreement:

- Westgold has granted RNC access to 50% of its plant capacity at SKO, on an approximate three week on three week off basis, for a 12 month period commencing July 1, 2017
  - Toll Milling Rights:** In exchange for these toll milling rights, RNC has issued approximately A\$4 million in common shares to Westgold
  - Toll Milling Costs:** RNC will pay toll processing fees on a fixed plus variable arrangement on commercial terms. **It is anticipated that the total toll processing and transportation costs under this arrangement will be materially lower than RNC is currently budgeting for processing of Beta Hunt ore in 2017**

# Toll Agreement

## SKO Gold Processing Facility in Western Australia

**Toll agreement will lower cost milling compared to current arrangements, beginning July 1, 2017. Expected savings of over \$7 million over a 12-month period**

- Agreement with Westgold grants RNC access to 50% of capacity at SKO's 1.2 Mtpa Jubilee gold CIL mill for 12-month period beginning July 1, 2017
- Nearest active toll mill to Beta Hunt mine ( ~30km)
- Beta Hunt has successfully completed several toll milling campaigns at this facility

SKO Jubilee Mill



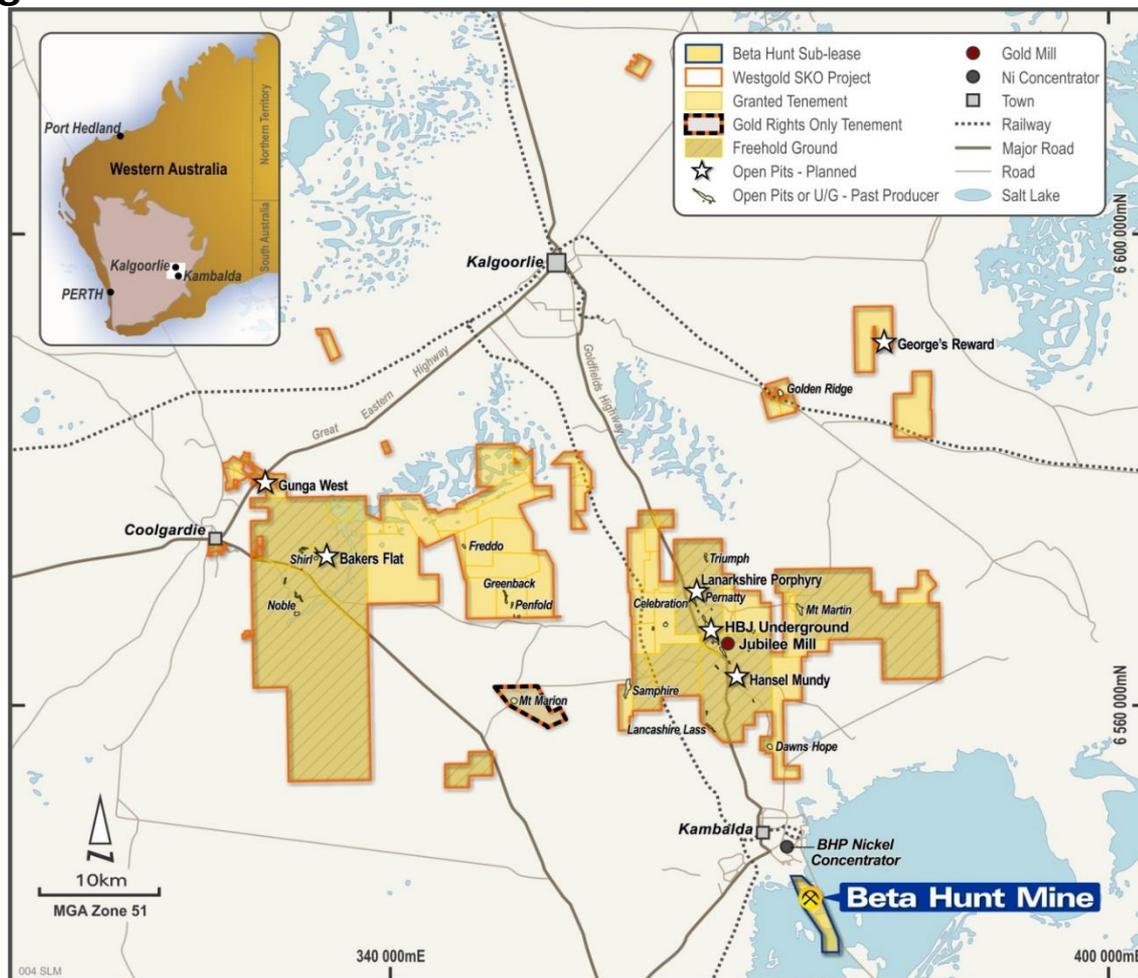
# Purchase Option SKO Mine & Mill Operations in Western Australia

**Purchase option for A\$80M to acquire Westgold's South Kalgoorlie Operations (SKO):  
A multi-mine operation anchored by 1.2 Mtpa mill with 4 million ounce resource base and  
1000+ km<sup>2</sup> land package in prolific gold belt**

**According to Westgold:**

- 1000+ km<sup>2</sup> land package
- SKO had JORC compliant resource/reserves:
- 3.7 Moz of gold from a Measured, Indicated, and Inferred Resource of 50.9 Mt of ore grading 2.27 g/t Au
- Including 192koz of Proven and Probable Reserve of 2.3 Mt of ore grading 2.60 g/t Au.
- Production: 60 kozpa for 3+ years
- Costs: Steady state AISC of ~ \$A1,250/oz (\$US 950/oz)

Source: Westgold corporate presentation dated 1/27/2017

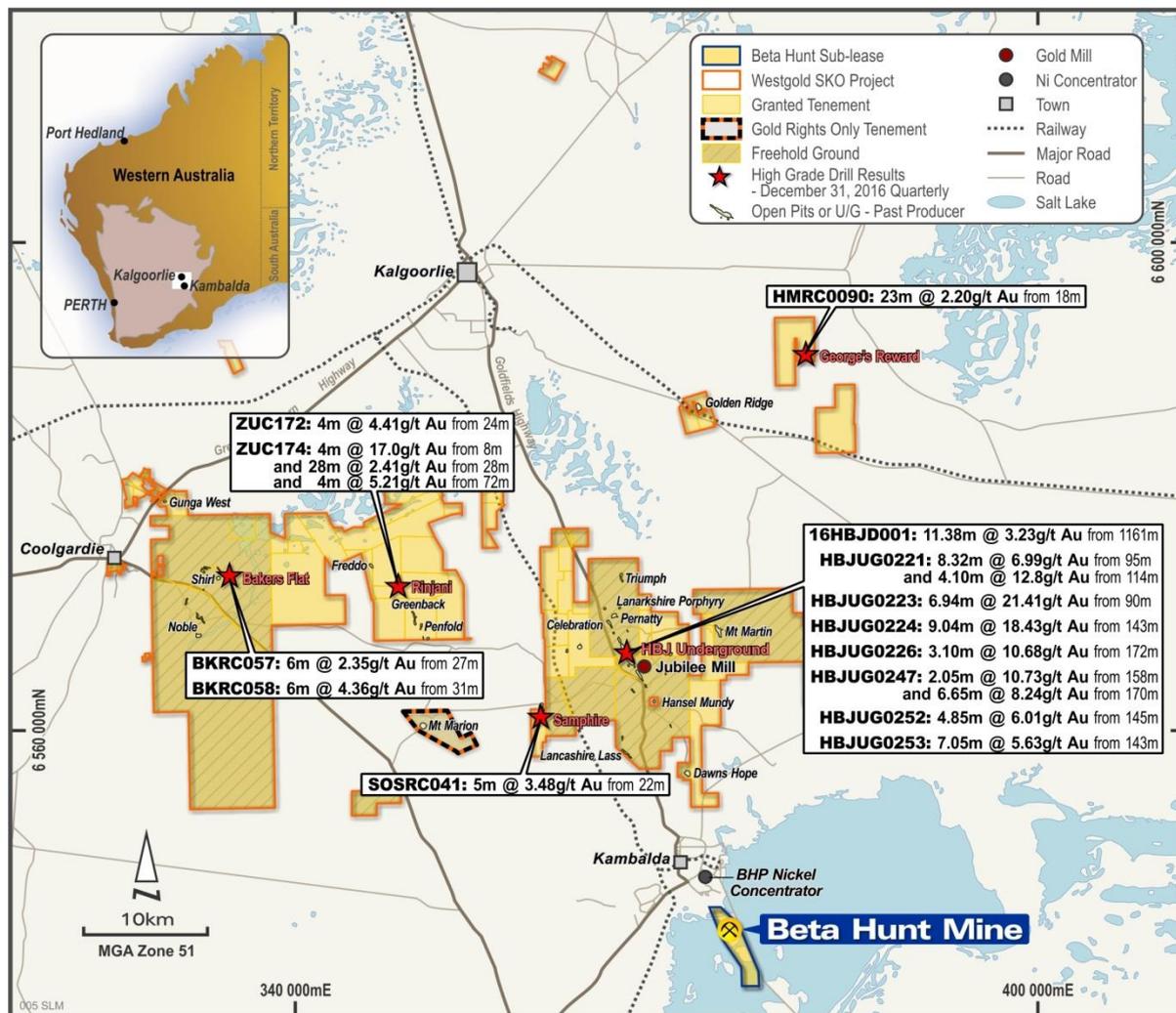


# Purchase Option

## SKO Exploration Potential

Westgold's exploration of the SKO properties is delivering success both at HBJ (U/G) mine and open pit operations

- At HBJ underground mine, highlights include:
  - HBJ-223: 6.94m @ 21.4 g/t from 90m
  - HBJ-224: 9.04 m @ 18.4 g/t from 143m
  - HBJ-226: 3.1m @ 10.68 g/t from 172m
- Bakers Flat:
  - BKRC057: 6m @ 2.35 g/t from 27m
  - BKRC058: 6m @ 4.36 g/t from 31m
- George's Reward:
  - 23m @ 2.2 g/t from 18m
- Samphire:
  - SOSRC041: 5m @ 3.48 g/t from 22m
- New discovery at Rinjani:
  - ZUC172: 4m @ 4.41 g/t from 24m
  - ZUC174: 4m @ 17 g/t from 8m; 28m @ 2.41 g/t from 28 m; and 4m @ 5.2 g/t from 72m

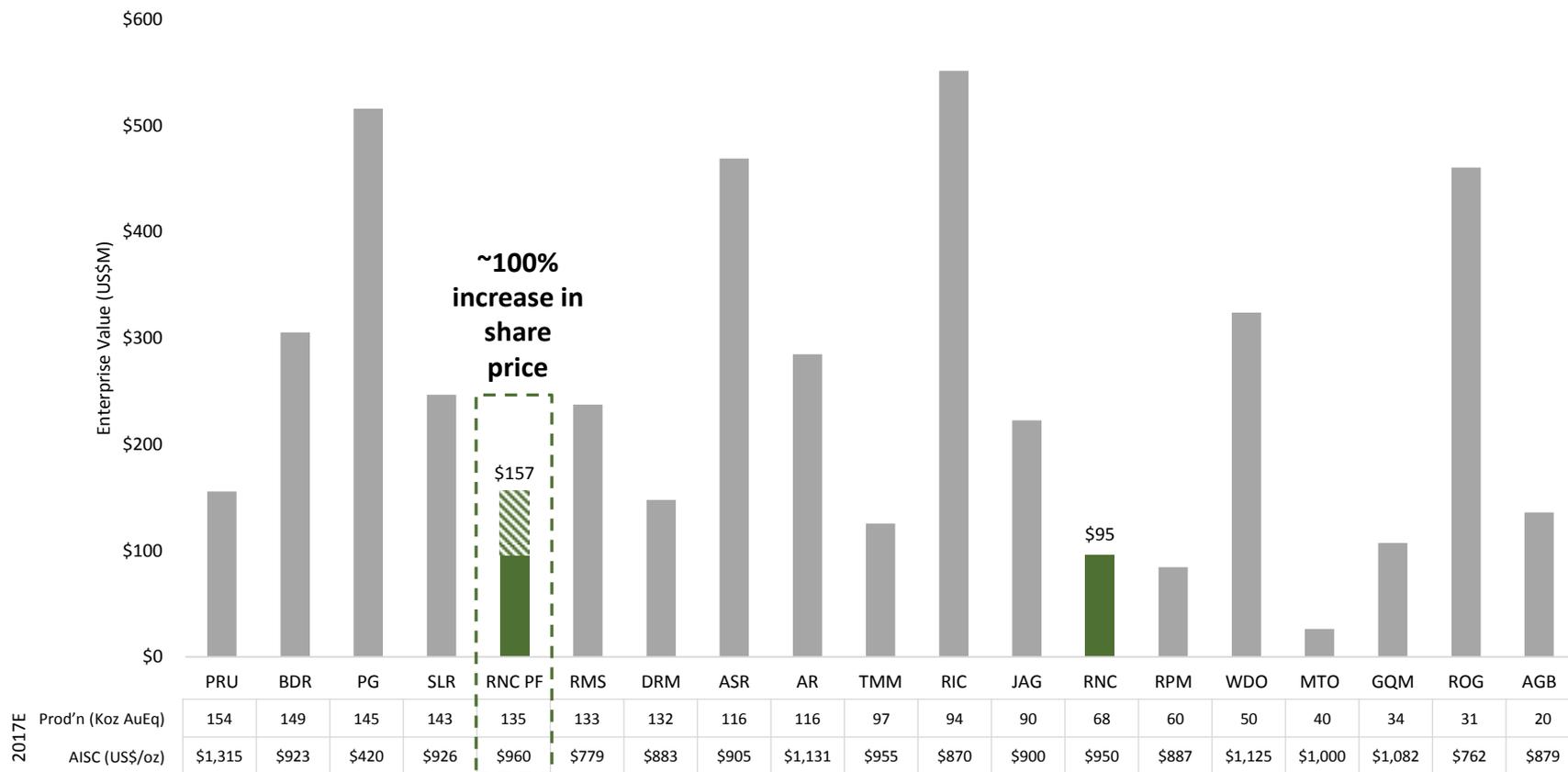


Source: Westgold quarterly report for period ended 12/31/2016

# Purchase Option Significant Re-Rate Potential in Junior Producer Peer Group

**Pro Forma Annual Production of >130koz<sup>(1)</sup>, a ~100% increase, Positions RNC in Top Half of Global Junior Producers and for Significant Near-Term Re-Rating**

**Enterprise Value (Sorted by 2017E Production Profile)**



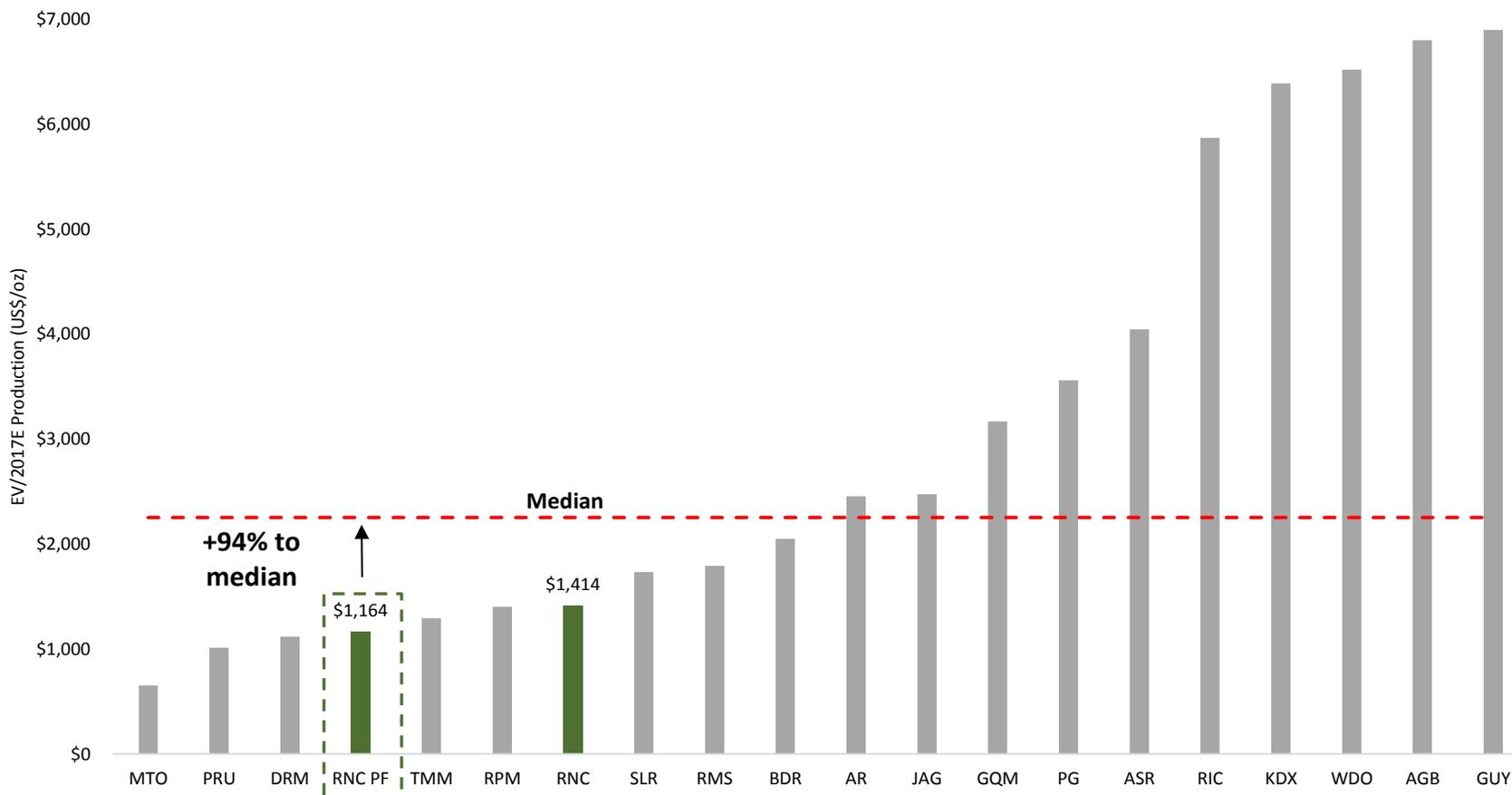
Source: Bloomberg, Street Research

(1) Assumes mid-range of RNC guidance for 2017E gold production and run-rate SKO production of 60-70koz per year. Excludes attributable production and liabilities from Reed Mine operations

# Purchase Option Significant Re-Rate Potential on Production Profile

## Strong Pro Forma Production Profile<sup>(1)</sup> Positions RNC as an Attractive Junior Gold Producer

Global Junior Producers' Enterprise Value to 2017E Production (US\$/oz)



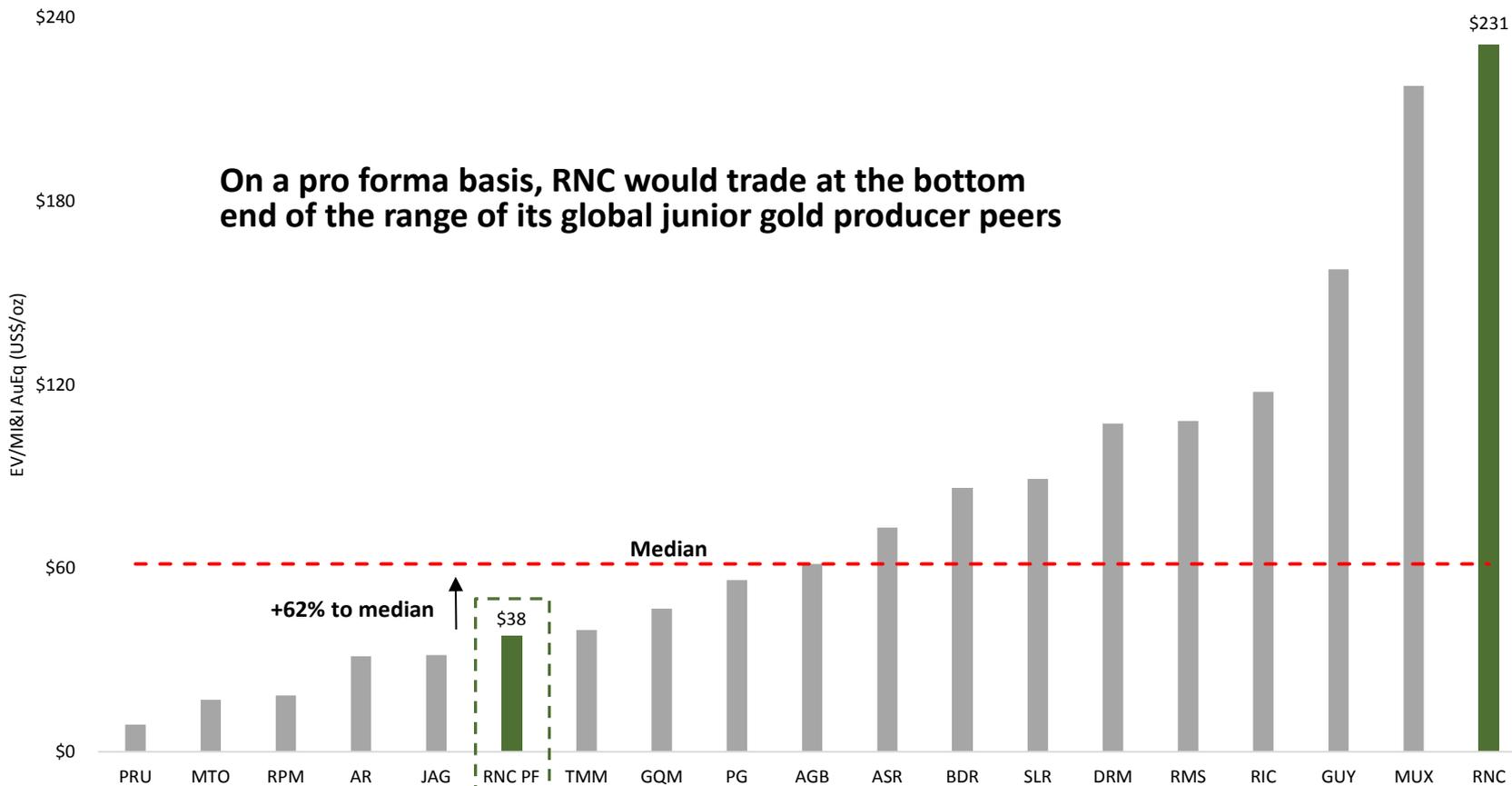
Source: Bloomberg, Street Research

(1) Assumes mid-range of RNC guidance for 2017E gold production and run-rate SKO production of 60-70koz per year. Excludes attributable production and liabilities from Reed Mine operations

# Significant Increase in Pro Forma Resource Profile

>4Moz of Total Resources on a Pro Forma Basis Positions RNC Favourably vs. its Peers

Global Junior Producers' Enterprise Value<sup>(1)</sup> to Total Resources (US\$/oz)



- **Delivers real synergies and provides long-term platform for RNC's Beta Hunt mine – toll milling agreement to deliver \$7 million in savings over life of agreement and processing capacity until June 2018**
- **Acquisition would transform RNC's Western Australian Beta Hunt into a multi-mine operation anchored by 1.2 Mtpa mill with 4 million ounce resource base and 1000+ km<sup>2</sup> land package in prolific gold belt with pro forma gold production of 125+ kozpa from 2 underground mines (Beta Hunt, HBJ) and several open pit mines at AISC of \$US950 per ounce**
- **Option structure allows RNC to focus on realizing value from completion of the first phase ramp-up at Beta Hunt *before* exercising with a structure that maximizes value for our shareholders**