ROYAL NICKEL CORPORATION

(Doing business as RNC Minerals)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

Royal Nickel Corporation

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Royal Nickel Corporation

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements for Royal Nickel Corporation (the "**Corporation**") are the responsibility of its management. The consolidated financial statements have been prepared by Management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The significant accounting policies are disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions that were complete at the consolidated statement of financial position date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced. Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as at the date of and for the periods presented by the consolidated financial statements, and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Corporation as at the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities. The Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Corporation. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Corporation for issuance to the shareholders.

Management recognizes its responsibility for conducting the Corporation's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

/s/ Paul Huet

Paul Huet
President and Chief Executive Officer

/s/ Barry Dahl

Barry Dahl
Chief Financial Officer

Toronto, Canada

March 25, 2020

Independent auditor's report

To the Shareholders of
Royal Nickel Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Royal Nickel Corporation and its subsidiaries (together, the Corporation) as at December 31, 2019 and 2018, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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"PwC" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership.

Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Frédéric Lepage.

PricewaterhouseCoopers LLP[1]

Montréal, Quebec
March 25, 2020

[1] CPA auditor, CA, public accountancy permit No. A123475

Royal Nickel Corporation

Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars)

As at	Note	December 31, 2019 $	December 31, 2018 $
ASSETS			
Current assets			
Cash and cash equivalents		**34,656**	1,340
Marketable securities		**158**	-
Trade and other receivables	5	**7,002**	1,560
Inventories	6	**15,039**	6,481
Prepaid expenses		**1,843**	1,550
Assets held for sale		**-**	26
		58,698	10,957
Non-current assets			
Property, plant and equipment and mineral property interests	7	**98,955**	24,530
Investment in associates	8	**19,696**	22,477
Deferred tax asset	21	**376**	-
Other non-current assets		**52**	48
Total assets		**177,777**	58,012
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	9	**25,320**	14,159
Current tax liability	21	**486**	
Share incentive plan liabilities	18	**2,970**	5,205
Debt	10	**120**	4,166
Lease obligation	12	**479**	292
Contract liabilities	13	**-**	4,904
Derivative financial liabilities	14	**2,817**	1,131
Asset retirement obligations	15	**-**	92
		32,192	29,949
Non-current liabilities			
Debt	10	**30,777**	324
Lease obligation	12	**743**	-
Asset retirement obligations	15	**21,119**	845
Other non-current liabilities and provisions		**664**	773
Total liabilities		**85,495**	31,891
SHAREHOLDERS' EQUITY			
Share capital	16	**263,421**	196,094
Contributed surplus		**30,319**	28,709
Accumulated other comprehensive income		**6,051**	1,863
Deficit		**(207,509)**	(200,545)
Total shareholders' equity		**92,282**	26,121
Total liabilities and shareholders' equity		**177,777**	58,012

The accompanying notes are an integral part of these consolidated financial statements.

Subsequent event (note 31)

The consolidated financial statements were approved by the Board of Directors on March 25, 2020.

Signed on behalf of the board of directors,

/s/ Paul Huet

Paul Huet, Director

/s/ Wendy Kei

Wendy Kei, Director

Royal Nickel Corporation

Consolidated Statements of Comprehensive Loss

(Expressed in thousands of Canadian dollars, except per share amounts)

For the years ended December 31,	Note	2019 $	2018 $
Revenue		**128,036**	128,770
Cost of operations:			
Production and processing costs		**78,836**	82,742
Royalty expense		**9,805**	11,059
General and administrative: share-based compensation	18,19	**2,463**	6,911
General and administrative: other	19	**14,781**	7,346
Depreciation and amortization		**9,287**	7,853
Operating earnings		**12,864**	12,859
Other expenses, net	20	**(20,580)**	(20,770)
Loss before income tax		**(7,716)**	(7,911)
Income tax recovery (expense)	21	**774**	(485)
Net loss		**(6,942)**	(8,396)
Loss per share - basic and diluted	22	**(0.01)**	(0.02)
Attributable to:			
RNC shareholders		**(6,942)**	(8,145)
Non-controlling interests		**-**	(251)
Other comprehensive loss:			
Currency translation adjustments		**4,188**	1,636
Comprehensive loss		**(2,754)**	(6,760)
Attributable to:			
RNC shareholders		**(2,754)**	(6,509)
Non-controlling interests		**-**	(251)

The accompanying notes are an integral part of these consolidated financial statements.

Royal Nickel Corporation

Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars)

For the years ended December 31,	Note	2019	2018
		$	$
Cash flow provided by (used in)			
OPERATING ACTIVITIES			
Net loss for the year		**(6,942)**	(8,396)
Changes not affecting cash:			
Net change in contract liabilities		**(4,904)**	(12,956)
Items not involving cash:			
Depreciation and amortization		**9,513**	7,977
Income taxes	21	**(121)**	(168)
Non-cash impairment charges	8,27	**2,271**	535
Other non-cash adjustments	28	**3,401**	2,987
Shares issued for consulting services		**336**	754
Share-based payments		**(574)**	6,616
Loss on settlement of debt		**-**	335
Foreign exchange loss		**5,541**	3,816
		8,521	1,500
Changes in non-cash working capital			
Trade and other receivables		**(4,981)**	(582)
Inventories		**5,740**	(1,693)
Prepaid expenses		**(293)**	1,587
Accounts payable and accrued liabilities		**6,192**	(9,128)
Net cash provided by (used in) operating activities		**15,179**	(8,316)
INVESTING ACTIVITIES			
Property, plant and equipment and mineral property interests		**(25,391)**	(13,013)
Investment in associate	8	**(219)**	-
Cash of deconsolidated subsidiaries		**-**	(5,974)
Proceeds from the sale of an investment		**-**	73
Acquisition of HGO, net of cash acquired		**(21,597)**	-
Net cash used in investing activities		**(47,207)**	(18,914)
FINANCING ACTIVITIES			
Issuance of shares, net of costs		**36,218**	1,600
Issuance of debt, net of costs		**36,343**	3,940
Repayments of debt		**(9,679)**	(9,129)
Repayments of convertible debentures		**-**	(4,008)
Private placement - Orford		**-**	483
Proceeds from exercise of options and warrants		**2,886**	11,976
Payments on leases (2018: finance leases)		**(419)**	(697)
Net cash provided by financing activities		**65,349**	4,165
Effect of exchange rate changes on cash and cash equivalents		**(5)**	5
Net increase (decrease) in cash and cash equivalents		**33,316**	(23,060)
Cash and cash equivalents, beginning of year		**1,340**	24,400
Cash and cash equivalents, end of year		**34,656**	1,340
Components of cash and cash equivalents:			
Cash		**34,510**	1,232
Cash equivalents		**146**	108
		34,656	1,340

See note 28 for supplemental cash flow information.

The accompanying notes are an integral part of these consolidated financial statements.

Royal Nickel Corporation

Consolidated Statements of Changes in Equity

(Expressed in thousands of Canadian dollars, except share numbers)

	Note	Share capital Number	Share capital $	Contributed surplus $	Accumulated other comprehensive income $	Deficit $	Total equity $
Balance as at December 31, 2018 as reported		**446,312,092**	**196,094**	**28,709**	**1,863**	**(200,545)**	**26,121**
Adjustment for IFRS 16 adoption	2	-	-	-	-	(22)	(22)
Balance as at January 1, 2019 as adjusted		**446,312,092**	**196,094**	**28,709**	**1,863**	**(200,567)**	**26,099**
Shares issued for debt issue costs	10	1,464,436	700	-	-	-	700
Shares issued for consulting services	16	744,525	336	-	-	-	336
Bought deal and overallotment – January 2019	16	13,370,165	6,150	-	-	-	6,150
Private placement - January 2019	16	6,521,000	3,000	-	-	-	3,000
Private placement - April 2019	16	24,490,000	12,000	-	-	-	12,000
Private placement - July 2019	16	300,000	174	-	-	-	174
Bought deal and overallotment – September 2019	16	46,156,000	17,077	1,385	-	-	18,462
HGO acquisition - purchase option	4,16	7,104,655	3,815	-	-	-	3,815
HGO acquisition - share issue	4,16	49,811,364	23,038	-	-	-	23,038
Exercise of warrants	17	667,279	516	(199)	-	-	317
Settlement of RSUs and DSUs		1,575,770	682	-	-	-	682
Exercise of stock options		9,251,663	3,938	(1,369)	-	-	2,569
Issue costs		-	(3,302)	(92)	-	-	(3,394)
Issue costs - warrants		-	(797)	797	-	-	-
Share-based payments		-	-	1,088	-	-	1,088
Comprehensive loss		-	-	-	4,188	(6,942)	(2,754)
Balance as at December 31, 2019		**607,768,949**	**263,421**	**30,319**	**6,051**	**(207,509)**	**92,282**

	Note	Share capital Number	Share capital $	Contributed surplus $	Accumulated other comprehensive income $	Deficit $	Equity attributable to RNC shareholders $	Non-controlling interests $	Total equity $
Balance as at January 1, 2018		**307,906,648**	**164,158**	**28,868**	**227**	**(192,271)**	**982**	**9,932**	**10,914**
Shares issued for consulting services	16	3,680,276	754	-	-	-	754	-	754
Shares issued in settlement of debt financing	16	44,300,701	7,395	-	-	-	7,395	-	7,395
Shares issued in settlement of accounts payable	16	46,266,704	6,685	-	-	-	6,685	-	6,685
Private placement – common shares	16	10,700,000	1,862	-	-	-	1,862	-	1,862
Private placement - Orford		-	-	-	-	-	-	1,195	1,195
Flow-through share issuance costs		-	-	74	-	-	74	-	74
Exercise of warrants		25,280,887	12,083	(1,778)	-	-	10,305	-	10,305
Settlement of RSUs and DSUs		2,261,324	645	-	-	-	645	-	645
Exercise of stock options		5,915,552	2,512	(841)	-	-	1,671	-	1,671
Change in minority interest		-	-	-	-	(129)	(129)	(10,876)	(11,005)
Share-based payments		-	-	2,386	-	-	2,386	-	2,386
Comprehensive loss		-	-	-	1,636	(8,145)	(6,509)	(251)	(6,760)
Balance as at December 31, 2018		**446,312,092**	**196,094**	**28,709**	**1,863**	**(200,545)**	**26,121**	**-**	**26,121**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Financial Statements

1. NATURE OF OPERATIONS

Royal Nickel Corporation ("**RNC**", "**RNC Minerals**" or the "**Corporation**") is a company domiciled in Canada and was incorporated on December 13, 2006, under the *Canada Business Corporations Act*. The Corporation's shares are publicly traded on the Toronto Stock Exchange (TSX: RNX). The Corporation's registered office is located at 141 Adelaide Street West, Suite 1608 in Toronto, Ontario, Canada.

The consolidated financial statements of the Corporation as at and for the year ended December 31, 2019 comprise RNC and its subsidiaries, Salt Lake Mining Pty Ltd. ("**SLM**"), Higginsville Gold Operation ("**HGO**") and VMS Ventures Inc. ("**VMS**"). Collectively, these entities are referred to as the "**Corporation**". The Corporation accounts for its investments in Magneto Investments Limited Partnership ("**Magneto JV**" or "**Dumont JV**"), Orford Mining Corporation ("**Orford**") and Sudbury Platinum Corporation ("**SPC**") using the equity method at their respective ownership interests.

RNC is a multi-asset mineral resource company. The main assets are: 1) its 100% interest in the Beta Hunt Mine ("**Beta Hunt**"), a gold producing operation located in Western Australia which is held through SLM; and 2) its 100% interest in the HGO toll processing and gold mining operation which is also located in Western Australia. RNC also has a 27.8% interest in the Dumont JV which owns the Dumont Nickel-Cobalt Project ("**Dumont**"), located in the established Abitibi mining camp, located 25 km northwest of Amos, Quebec. The Dumont project contains undeveloped nickel and cobalt reserves. RNC acts as manager of this project on behalf of the Dumont JV. The Corporation has a 23.6% equity interest in Orford which holds the Qiqavik and West Raglan exploration projects in Nunavik. The Corporation also owns a 100% interest in VMS, which formerly owned 27% of the Reed Mine, located in Manitoba.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

The accounting policies followed in these consolidated financial statements are consistent with those of the previous year, except as described below.

Subsidiaries
The Corporation's consolidated financial statements consolidate the accounts of RNC and the following subsidiaries:

Name of Subsidiary	Place of Incorporation	Benefical Ownership	Principal Activity	Functional Currency
Salt lake Mining Pty Ltd.	Australia	100%	Gold and nickel mining	AUD
VMS Ventures Inc.	Canada	100%	Copper mining; now dormant	CAD
Subsidiaries collectively referred to as HGO:				
RNC Holdings Australia Pty Ltd.	Australia	100%	Holding company	AUD
Avoca Mining Pty Ltd.	Australia	100%	Gold mine and milling	AUD
Hill 51 Pty Ltd.	Australia	100%	Holding company	AUD
Avoca Resources Pty Ltd.	Australia	100%	Exploration	AUD
Ploar Metals Pty Ltd.	Australia	100%	Exploration	AUD
Red Hill Gold USA Corp.	United States	100%	Corporate office	USD

Subsidiaries are all entities, including structured entities, over which the Corporation has control. The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date control is transferred to the Corporation and are de-consolidated from the date control ceases. Accounting policies of subsidiaries are consistent with the policies adopted by the Corporation. All intercompany transactions, balances and unrealized gains or losses from intercompany transactions are eliminated on consolidation.

Non-Controlling Interests

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net loss and other comprehensive loss is recognized directly in equity even if the results of the non-controlling interests have a deficit balance.

The Corporation treats transactions with non-controlling interests as transactions with equity shareholders. Changes in the Corporation's ownership interest in subsidiaries that do not result in loss of control are accounted for as equity transactions.

Associates

The Corporation accounts for its investments in Dumont JV, Orford and SPC as investments in associates using the equity method. Refer to note 8.

An associate is an entity over which the investor has significant influence but not control and that is neither a subsidiary nor an interest in a joint arrangement. Significant influence is presumed to exist where the Corporation has between 20% and 50% of the voting rights but can also arise where the Corporation has less than 20% if it has the power to be actively involved and influential in policy decisions affecting the entity.

Under the equity method, the investment is initially recognized at cost, including transaction costs, and the carrying amount is increased or decreased to recognize the Corporation's share of profits or losses of associates after the date of acquisition. The Corporation's share of profits or losses of associates is recognized in the consolidated statement of comprehensive loss. Adjustments are made to align inconsistencies between the Corporation's accounting policies and its associate's policies, if any, before applying the equity method. The Corporation assesses at each period-end whether there is any objective evidence that its investments in associates are impaired. If impaired, the carrying value of the Corporation's investment in associates is written down to its estimated recoverable amount (being the higher of fair value less costs of disposal and value in use) and charged to the consolidated statement of comprehensive loss.

Joint Arrangements and Interests in Other Entities
A joint arrangement is defined as an arrangement in which two or more parties have joint control. Joint control is the contractually agreed sharing of control over an arrangement between two or more parties. This exists only when the decisions about the relevant activities that significantly affect the returns of the arrangement require the unanimous consent of the parties sharing control. A joint operation is a joint arrangement whereby the parties have joint control of the arrangement and have rights to the assets and obligations for the liabilities relating to the arrangement. These consolidated financial statements include the Corporation's interests in the assets, liabilities, revenues and expenses of the joint operations, from the date that joint control commences until joint control ceases to exist. The Corporation's 50% interest in Dumont JV, the entity that holds Dumont, was accounted for as a joint operation up to June 30, 2018 (note 8) when the Corporation divested its interest to 28%. The Corporation has determined that neither joint control nor significant influence exists in the Reed Mine arrangement. The Corporation's undivided interests in Reed Mine's assets, liabilities, revenues, expenses and cash flows are nevertheless accounted for in a manner similar to a joint operation.

(b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments to fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional and Presentation Currency
Items included in the financial statements of each of the Corporation's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The financial statements are presented in Canadian dollars.

Foreign Currency Translation of Transactions
In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period-end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are included in the consolidated statement of comprehensive loss within foreign exchange.

(c) Business Combinations

A business combination is defined as an acquisition of assets and liabilities that constitute a business. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return to the Corporation and its shareholders in the form of dividends, lower costs or other economic benefits. A business consists of inputs, including non-current assets, and processes, including operational processes, that when applied to those inputs have the ability to create outputs that provide a return to the Corporation and its shareholders. A business also includes those assets and liabilities that do not necessarily have all the inputs and processes required to produce outputs, but can be integrated with the inputs and processes of the Corporation to create outputs. When acquiring a set of activities or assets in the exploration and development stage, which may not have outputs, the Corporation considers other factors to determine whether the set of activities or assets is a business.

Those factors include, but are not limited to, whether the set of activities or assets: (i) has begun planned principal activities; (ii) has employees, intellectual property and other inputs and processes that could be applied to those inputs; (iii) Is pursuing a plan to produce outputs; and (iv) will be able to obtain access to customers that will purchase the outputs.

Not all of the above factors need to be present for a particular integrated set of activities or assets in the exploration and development stage to qualify as a business.

Business combinations are accounted for using the acquisition method whereby identifiable assets acquired and liabilities assumed, including contingent liabilities, are recorded at 100% of their fair values at acquisition date. The acquisition date is the date at which the Corporation obtains control over the acquiree, which is generally the date that consideration is transferred and the Corporation acquires the assets and assumes the liabilities of the acquiree.

(d) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who has been identified as the Chief Executive Officer, is responsible for allocating resources and assessing performance of the operating segments.

(e) Revenue recognition

Revenue from the sale of goods to customers is measured at the fair value which represents the amount of consideration with the Corporation expects to be entitled in exchange for transferring the promised good. Revenue from the sale of by-products is included within revenue. Sales revenue is recognized when control of the goods sold has been transferred to the buyer. Control is deemed to have passed to the customer at the point in time when significant risk and reward of the product has passed to the customer, the Corporation has a present right to payment and physical possession of the product has been transferred to the buyer.

The Corporation recognizes a contract liability in the event it receives payments from customers before a sale meets criteria for revenue recognition. There may be a significant financing component associated with certain revenue arrangements if funds were received in advance of the delivery. As deliveries are made, the Corporation records a portion of the contract liabilities as sales, using the standalone selling price of future deliveries, as determined based on estimated selling prices prevailing at contract inception. The difference between the standalone selling price of future deliveries and the amount of the consideration being provided is treated as a significant financing component accounted for separately from the revenue component. A market-based discount rate would be utilized at the inception of each of the respective revenue agreements to determine a discount rate for computing the interest charges for the significant financing component of the contract liability balance.

(f) Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially

all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is an unconditional and legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Financial assets
Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Corporation classifies its financial assets in the following measurement categories:

- measured subsequently at amortized cost; or
- measured subsequently at fair value (either through other comprehensive income (loss), or through net income (loss).

i) Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii) Financial assets measured at fair value

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For investments in debt instruments, this will depend on the business model in which the investment is held.

For investments in equity instruments that are not held for trading, this will depend on whether the Corporation has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income, in which case, gains and losses will never be reclassified to net loss, and no impairment may be recognized in net loss. Dividends earned from such investments are recognized in net loss, unless the dividend clearly represents a repayment of part of the cost of the investment.

Financial liabilities
Financial liabilities are subsequently measured at amortized cost using the effective interest method, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

Derivatives

Derivatives are initially recognized at fair value when the Corporation becomes a party to the derivative contract and are subsequently re-measured to fair value at the end of each reporting period. The resulting gain or loss is recognized in the consolidated statement of comprehensive loss immediately unless the derivative is designated and effective as a hedging instrument. Derivatives with positive fair value are recognized as assets; derivatives with negative fair value are recognized as liabilities. Contracts to buy or sell items that meet the definition of a derivative but were entered into and are held in accordance with the Corporation's expected purchase, sale or usage requirements are not recognized as derivatives. Such contracts would be recorded as executory purchases and sales contracts.

For financial liabilities, the Corporation considers whether a contract contains an embedded derivative when it becomes a party to the contract. Derivatives embedded in a financial liability are treated as separate derivatives if their risks and characteristics are not closely related to those of the host contract and the host contract is not measured at FVTPL.

Fair value

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Fair values of financial instruments traded in active markets are determined based on quoted market prices, where available. For financial instruments not traded in an active market, fair values are determined based on appropriate valuation techniques. Such techniques may include discounted cash flow analysis, using recent arm's-length market transactions, reference to the current fair value of another instrument that is substantially the same, and other valuation models. The Corporation applies a hierarchy to classify valuation methods used to measure financial instruments carried at fair value. Levels 1 to 3 are defined based on the degree to which fair value inputs are observable and have a significant effect on the recorded fair value, as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuation techniques use significant observable inputs, directly or indirectly, or valuations are based on quoted prices for similar instruments; and;

Level 3: Valuation techniques use significant inputs that are not based on observable market data (unobservable inputs).

Impairment of financial assets

The Corporation assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and through other comprehensive earnings (loss). The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Corporation assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. Such assessment exists if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its

contractual cash flow obligations. An external rating of investment grade is considered to indicate that a financial instrument that may be considered as having low credit risk.

The Corporation applies the simplified approach permitted by IFRS 9 for trade receivables (including amounts receivable from associates and other receivables), which requires lifetime expected credit losses to be recognized from initial recognition of the receivables.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand as well as other highly liquid short-term investments with original maturities of three months or less or that can be redeemed at any time without penalties.

(h) Inventories

Inventory is measured and valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. Production costs include the cost of raw materials, direct labor, other direct costs and related mine-site overhead expenses (based on normal operating capacity), including applicable depreciation on property, plant and equipment ("**PPE**").

Supplies, spare parts and ore in stockpiles are valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method.

Net realizable value is the estimated selling price in the normal course of business, less estimated costs of completion and applicable selling expenses.

(i) Identifiable intangible assets

The Corporation's intangible assets comprise computer software with finite useful lives. These assets are capitalized and amortized at a 30% declining balance basis in the consolidated statement of comprehensive loss.

(j) Property, plant and equipment

Pursuant to the acquisition of HGO as described in Note 4, the Corporation reviewed its accounting policies and determined that there was a change in the pattern of consumption for its property, plant and equipment. The Corporation's assessment was that, for most asset categories, the straight line method of depreciation would be more reflective of the consumption than the declining balance method that was previously used. For mining operations, the Corporation will continue to use the units of production method. Furthermore, a new asset category was introduced being the processing plant at HGO which is depreciated using the units of production method. The change was accounted for prospectively from July 1, 2019. Had the change occurred on January 1, 2019, it would not have had a significant impact.

The revised accounting policy for Property, plant and equipment is as follows:

PPE is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Repairs and maintenance costs are charged to the statement of comprehensive loss during the period in which they are incurred. Depreciation is recognized based on the cost of an item of PPE, less its estimated residual value, over its estimated useful life at the following rates:

Detail	Years	Method
Land	Nil	none
Mining properties		Units of production
Processing plant		Units of production
Building	15 to 20	Straight line
Vehicles	5 to 20	Straight line
Camp, furniture and equipment	5 to 20	Straight line
Computer equipment	3 to 5	Straight line

An asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, on an annual basis.

An item of PPE is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of comprehensive loss.

Where an item of PPE consists of major components with different useful lives, the components are accounted for as separate items of PPE. Expenditures incurred to replace a component of an item of PPE that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Exploration costs incurred on a property in production are capitalized in PPE and depreciated over the underlying property's estimated recoverable ore on the basis of the related area of interest.

The mining properties and processing plant are recorded at cost and depreciated net of residual value, using the units of production method, over the expected operating life of the mine based on estimated recoverable ore. However, if the anticipated useful life of the asset is less than the life of the mine, depreciation is based on its anticipated useful life.

As described in the table above, depreciation is also provided for using the straight line method. The depreciation expense remains capitalized for mining assets not in commercial production and will be recognized in the consolidated statement of comprehensive loss gradually as the mining properties are put into commercial production.

At underground mines, the Corporation incurs development costs to build new shafts, drifts and ramps that will enable us to physically access ore underground. The time over which we will continue to incur these costs depends on the mine life. These underground development costs are capitalized as incurred.

Capitalized underground development costs are depreciated on a units of production basis, whereby the

denominator is the estimated ounces/pounds of gold/nickel in proven and probable reserves and the portion of resources considered probable of economic extraction based on the current life of mine plan that benefit from the development and are considered probable of economic extraction.

(k) Mineral property interest

The Corporation is in the exploration and evaluation stage with respect to certain of its investments in mineral properties and accordingly follows the practice of capitalizing all costs relating to the acquisition, exploration, and evaluation of mineral claims and crediting all proceeds received for farm-out arrangements, recovery of costs, and sale of a royalty against the cost of the related claims. Such costs include, but are not limited to, geological studies, geophysical studies, exploratory drilling and sampling.

The Corporation recognizes income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

Once the technical feasibility and commercial viability of the extraction of resources from a particular mineral property has been determined, expenditures are reclassified to “Mine development assets” within property, plant and equipment.

The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors, such as:

- Results of studies;
- Status of permits and rights and other agreements to allow access rights;
- Ability to raise project financing; and
- Approval by management and/or Board of Directors to proceed to development.

Upon transfer of “Mining property interests” into “Mine development assets” in property, plant and equipment, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized within “Mine development assets”. After production starts, all assets included in “Mine development assets” are transferred to “Producing mines”. At such time as commercial production commences, these costs will be charged to operations on a unit of production method based on proven and probable reserves or resources, as applicable.

(l) Impairment of non-financial assets

PPE and mineral property interests are reviewed for impairment if there is any indication that the carrying amount may not be recoverable or if there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the asset group to which the asset belongs.

An asset’s recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount and an impairment charge is recognized in the statement of comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized in the statement of comprehensive loss in the period it occurred.

The recoverability of amounts shown for mineral property interests is dependent upon several factors including, but not limited to, completion of the acquisition of the mineral property interests, the discovery of economically recoverable reserves, confirmation of the Corporation's interest in the underlying mineral claims, obtaining the necessary development permits, and the ability of the Corporation to obtain necessary financing to complete the development and future profitable production or, alternatively, upon disposition of such property at a profit. Changes in future conditions could require material write downs of the carrying values of mineral property interests and PPE.

(m) Commercial production

Prior to reaching pre-determined levels of operating capacity intended by management, costs incurred are capitalized as part of property, plant and equipment, and proceeds from sales are offset against capitalized costs. Depletion of capitalized costs for mining properties begins when pre-determined levels of operating capacity targeted by management have been reached. Management considers several factors in determining when a mining property has reached levels of operating capacity targeted by management, including:

- when the mine is substantially complete and ready for its intended use;
- the ability to sustain ongoing production at a steady or increasing level;
- the mine has reached a level of pre-determined percentage of design capacity; and,
- mineral recoveries are at or near the expected production level,

Commercial production will be declared on the first day of the calendar month following achievement of the above milestones. Once in commercial production, the capitalization of certain mine development and construction costs cease. Subsequent costs are either regarded as forming part of the cost of inventory or expensed. However, any costs relating to mining asset additions or improvements or mineable reserve development are assessed to determine whether capitalization is appropriate.

(n) Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the consolidated statement of comprehensive loss in the period in which they are incurred.

(o) Leases

As a result of the adoption of IFRS 16, the accounting policy for leases applied starting from January 1, 2019 is as follows:

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease by determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange

for consideration. A right-of-use asset and lease liability is recognized at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, including periods covered by an option to extend the lease if the Corporation is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments remaining to be paid at the commencement date. The lease payments are discounted using the implicit interest rate in the lease. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability. If the rate cannot be readily determined, the Corporation's incremental rate of borrowing is used. The lease liability is increased by interest expense and decreased by lease payments. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option.

The Corporation presents right-of-use assets within property, plant and equipment and lease liabilities separately in the consolidated statement of financial position.

The Corporation has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of twelve months or less and leases of low-value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The accounting policy for leases up to December 31, 2018 was as follows:
The determination of whether an arrangement is, or contains, a lease is based on the substance of the agreement at the inception date.

Finance leases - Leases which transfer substantially all the risks and rewards incidental to ownership of the leased item to the Corporation, as a lessee, were capitalized at the inception of the lease at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between finance charges and the lease liability. Capitalized leased assets were depreciated over the shorter of the estimated useful life of the asset and the lease term, if there was no reasonable certainty that the Corporation would obtain ownership by the end of the term of the lease.

Operating leases - Leases that do not transfer substantially all the risks and rewards incidental to ownership to the Corporation as a lessee were classified as operating leases. Operating lease payments were recognized on a straight-line basis over the lease term as an expense in the consolidated statement of comprehensive loss or capitalized within property, plant and equipment if they meet the capitalization criteria.

(p) Restoration, rehabilitation and environmental obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, evaluation, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of a plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the

carrying amount of the asset, as soon as the obligation to incur such costs arises. The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, excluding the risks for which future cash flow estimates have already been adjusted. The related liability is adjusted each period for the unwinding of the discount rate, and if required, for changes to the current market-based discount rate, amount and timing of the underlying cash flows needed to settle the obligation. The Corporation also records a corresponding asset amount which is amortized over the remaining service life of the asset.

(q) Provisions

A provision is recognized when the Corporation has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(r) Share capital and warrants

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period that the transaction occurs.

(s) Share-based compensation

Share Options

The fair value of share options granted to employees is recognized as an expense, or capitalized to mineral property interests, over the vesting period with a corresponding increase in contributed surplus. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Deferred Share Units, Restricted Share Units and Share Appreciation Rights

A liability for deferred share units, restricted share units, and share appreciation rights, which have a cash settling feature at the choice of the holder, is measured at fair value on the grant date and is subsequently adjusted at each financial position reporting date for changes in fair value. The liability is recognized over the vesting period or using management's best estimate when contractual provisions restrict vesting until formal approval by the Compensation Committee, with a corresponding charge as an expense or capitalized to mineral property interests.

(t) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income or in equity, in which case it is recognized in other comprehensive income or in equity, respectively.

Mining taxes represent Canadian provincial taxes levied on mining operations and are classified as income taxes since such taxes are based on a percentage of mining profits.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regards to previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided for using the balance sheet liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred taxes are not recognized where the temporary difference arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that does not affect either accounting or taxable profit or loss, other than where the initial recognition of such an asset or liability arises in a business combination. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred income tax assets and liabilities are presented as non-current. Assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities or deferred tax assets against deferred tax liabilities and the respective assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(u) Loss per share

The Corporation presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants, compensation warrants, options, deferred and restricted share units outstanding that may add to the total number of common shares.

(v) New accounting standard adopted in 2019

On January 1, 2019, the Corporation adopted IFRS 16, *Leases*. This new standard replaced IAS 17, *Leases*, and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model

similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees: leases of “low-value” assets; and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee recognizes a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees are required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees also are required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee generally recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. IFRS 16 also requires more extensive disclosures than under IAS 17.

The Corporation adopted IFRS 16 using the simplified transition approach, which means it applied the standard from January 1, 2019. The impacts of adoption on January 1, 2019 were as follows:

- Increased property, plant and equipment by $0.4 million; and
- Increased lease liabilities by $0.4 million.

The following table provides a reconciliation between operating lease commitments as at December 31, 2018 applying IAS 17 and the lease liabilities recognized as at January 1, 2019, applying IFRS 16:

Operating lease commitments as per IAS 17 as at December 31, 2018	$1,140
Adjustment to discount using the Corporation's incremental borrowing rate	(178)
Lease which was committed in 2018 and commenced in 2019	(744)
Exemption for short-term and low-value leases	(59)
Extension options reasonably certain to be exercised	286
Lease liability recognized on initial application of IFRS 16 on January 1, 2019	445
Finance leases recognized on IAS 17 as at December 31, 2018	292
Lease liability as at January 1, 2019	$737

Comparative figures were not restated. Right-of-use assets for property leases were measured on the transition date as if the new standard had been applied since the respective leases’ commencement date but using the Corporation’s incremental borrowing rate on January 1, 2019 of 10%. All other right-of-use assets were measured at the amount of the lease liability on adoption. The determination of whether an arrangement is, or contains, a lease is based on the substance of the agreement at the inception date.

(w) Accounting standards effective for future periods

There are no IFRS or IFRIC interpretations that are not yet in effect that would be expected to have a material impact on the Corporation.

3. CRITICAL JUDGMENTS, ESTIMATES, ASSUMPTIONS AND RISKS

Many of the amounts included in the consolidated financial statements require management to make judgments and/or estimates. These judgments and estimates are continuously evaluated and are based on

management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the consolidated financial statements.

Areas of significant judgment and estimates affecting the amounts recognized in the consolidated financial statements include:

(i) Business combinations

The information necessary to measure the fair values as at the acquisition date of assets acquired and liabilities assumed requires management to make certain judgments and estimates about future events, including but not limited to:

- Estimates of mineral resources and exploration potential acquired;
- Future operating costs and capital expenditures;
- Replacement cost of assets;
- Discount rates to determine fair value of assets acquired; and
- Future metal prices and long-term foreign exchange rates.

(ii) Going concern

The assessment of the Corporation's ability to execute its strategy by funding future working capital and exploration, evaluation, development and acquisition activities involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(iii) Joint arrangements

Judgment is required in the proper accounting for joint arrangements per IFRS 11, Joint Arrangements, and IAS 28, Investments in Associates and Joint Ventures, including the determination of joint control and significant influence. Joint control and significant influence are determined by assessment of the relevant agreements and differences in that determination could have a material effect on the consolidated financial statements. Management determines its ability to exercise significant influence over an investment in shares of other companies by looking at its percentage interest and other qualitative factors including but not limited to its voting rights, representation on the board of directors, participation in policy-making processes, material transactions between the Corporation and the associate, interchange of managerial personnel, provision of essential technical information and operating involvement.

(iv) Establishment of technical feasibility and commercial viability of a mineral property

The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors. By its nature, this assessment requires significant judgment.

The Corporation uses judgment in application of reserves and resources and other information to assess the basis for units to be applied in units-of-production which include the determination of resources beyond reserves. Changes in reserves and resources could impact depreciation and amortisation rates and asset carrying values.

(v) Impairment of non-financial assets

The recoverability of amounts shown for PPE and mineral property interests is dependent upon several factors including, but not limited to, completion of the acquisition of the mineral property interests, the discovery of economically recoverable reserves, confirmation of the Corporation's interest in the underlying mineral claims, obtaining the necessary development permits, and the ability of the Corporation to obtain necessary financing to complete the development and future profitable production or, alternatively, upon disposition of such property at a profit. Changes in future conditions could require material write downs of the carrying values of PPE and mineral property interests.

PPE and mineral property interests are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the asset group to which the asset belongs. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. The reduction is recognized immediately as an impairment loss. When an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. The previously recognized impairment loss is reversed during the period in profit or loss.

The estimate of recoverable amounts with respect to non-financial assets is based on numerous assumptions and may differ significantly from actual recoverable amounts. The recoverable amounts are based, in part, on certain factors that may be partially or totally outside of the Corporation's control. This evaluation involves a comparison of the estimated recoverable amounts of non-financial assets to their carrying values. The recoverable amount estimates may differ from actual recoverable amounts, and these differences may be significant and could have a material impact on the Corporation's financial position and results of operations. Asset groups are reviewed for an indication of impairment at each statement of financial position date or when a triggering event is identified. This determination requires significant judgment. In particular, for assets in the exploration and evaluation stage, factors which could trigger an impairment review include, but are not limited to, an expiry of the right to explore in the specific area during the period or in the near future, and which is not expected to be renewed; substantive exploration and evaluation expenditures in a specific area are neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the Corporation has decided to discontinue such activities in the specific area; sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the assets is unlikely to be recovered in full from successful development or by sale; significant negative industry or economic trends; interruptions in exploration and evaluation activities; and a significant drop in current or forecasted gold or nickel prices.

(vi) Derivative financial instruments

Derivatives are measured at fair value through profit and loss and their fair value must be measured at each reporting period, with subsequent changes in fair value recorded in the consolidated statement of comprehensive loss. To estimate the fair value of the derivatives at the inception date and again at statement of financial position date, derivative valuation models were used.

(vii) Provision for restoration, rehabilitation and environmental obligations

The Corporation's exploration activities are subject to various laws and regulations governing the protection of the environment. The Corporation recognizes management's best estimate for restoration, rehabilitation and environmental obligations in the period in which they are incurred. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, timing of estimated cash flows and discount rates could affect the carrying amount of this provision.

(viii) Income taxes

The Corporation is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Corporation recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Periodically, judgment is required in determining whether deferred tax assets are recognized on the consolidated statements of financial position. Deferred tax assets, including those arising from unused tax losses, require management to assess the probability that the Corporation will generate taxable profits in future periods, in order to utilize deferred tax assets. Once the evaluation is completed, if the Corporation believes that it is probable that some portion of deferred tax assets will fail to be realized, the deferred tax asset is derecognized. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation to realize the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Corporation operates could limit its ability to obtain tax deductions in future periods Management judgment is required in determining whether a deferred tax liability is recognized on temporary differences arising on investments in subsidiaries. Judgment is necessary in asserting management's intentions about the reinvestment of undistributed profit in the foreseeable future. Estimates on reinvestments are based on forecasts and on estimates of financial requirements of both the Corporation and its subsidiaries. To the extent that future results and financial requirements differ significantly from estimates, the deferred tax liability provided on temporary differences arising from investments in subsidiaries recorded at the reporting date could be impacted.

4. HGO ACQUISITION

On June 10, 2019, the Corporation acquired 100% of the shares of HGO from Westgold Resources Limited (“**Westgold**”). The acquisition provides the Corporation with additional production, cash-flow and an ore processing facility. Since the date of acquisition of control, the results from operations are consolidated in the statement of comprehensive loss.

In the opinion of management, the acquisition of HGO meets the definition of a business combination and as such has accounted for it in accordance with IFRS 3, Business Combinations.

The net purchase price was $48.9 million. Prior to the acquisition date, the Corporation had entered into a non-refundable purchase option upon the issuance of 7.1 million shares which was initially valued at $3.8 million (AUD $4.0 million) on March 26, 2019. The option provided the Corporation with an exclusive period of time to perform due diligence. Upon completion of due diligence, the Corporation exercised the purchase option at which time the option was valued at $3.7 million (AUD $4.0 million). Upon closing, the Corporation issued an additional 49.8 million shares to Westgold valued at $23.0 million and paid cash of $22.2 million, net of certain employee obligations and a working capital adjustment. The Corporation discounted the share consideration by 7.5% due to a holding period restriction on the shares. The table below summarizes the net purchase price.

Purchase price		
Cash	$	22,248
Purchase option		3,695
Share issue costs		62
Common shares issued (note 16)		23,038
Working capital adjustments		(139)
Purchase consideration	$	48,904

The fair value of acquired assets and liabilities assumed was estimated at the closing date of the transaction. The fair value was primarily estimated for the property, plant and equipment, mineral property interests and ore processing facility based on the depreciated replacement cost and residual methods. Below is a summary of the acquired assets and liabilities at their respective fair values.

Fair value of net assets acquired		**Value**
Cash and cash equivalents	$	574
Amounts receivable		467
Inventories		13,959
Property, plant and equipment		46,377
Mineral property interests		13,647
Amounts payable		(6,327)
Asset retirement obligation		(19,556)
Deferred tax liability		(233)
Other non-current liablities and provisions		(4)
Purchase consideration	$	48,904

Acquisition costs of $2.8 million were incurred in connection with the acquisition of HGO and were included in general and administrative expenses. For the period from June 10, 2019 to December 31, 2019, the Corporation's consolidated financial statements include revenues and net earnings of $33.4 million and $3.1 million, respectively, from HGO.

If the transaction had been completed on January 1, 2019, HGO would have contributed additional revenues of $38.6 million and an additional net loss of $4.6 million from January 1, 2019 to June 9, 2019.

5. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

As at	**December 31, 2019**	December 31, 2018
Trade accounts receivable	**$1,089**	$1,472
Value added taxes	**3,849**	88
Rebates	**2,064**	-
	$7,002	$1,560

6. INVENTORIES

Inventories consist of the following:

As at	**December 31, 2019**	December 31, 2018
Coarse gold, gold ore and gold in process	**$11,850** [1]	$6,315
Stores, spares and fuel	**3,189**	166
	$15,039	$6,481

[1] As at December 31, 2019, coarse gold, gold ore and gold in process comprises 20,496 ounces (December 31, 2018 – 6,806 ounces). The Corporation's high-grade coarse gold discovery of specimen stones from September 2018 comprises 1,412 ounces (Dec 31, 2018 – 4,944 ounces). Total number of ounces held at December 31, 2019 was 21,908 (December 31, 2018 – 11,750).

7. PROPERTY, PLANT AND EQUIPMENT AND MINERAL PROPERTY INTERESTS

The following tables reflect the continuity of the Corporation's property, plant and equipment and mineral property interests:

	Land & Buildings	Vehicles	Equipment	Mine and Mill Facilities	Mineral Property Interests	Total
As at January 1, 2019, as reported	**$10**	**$928**	**$6,273**	**$17,319**	**$-**	**$24,530**
IFRS 16 transition adjustment	-	-	285	138	-	423
As at January 1, 2019, as restated	10	928	6,558	17,457	-	24,953
Acquisition of HGO (note 4)	9,382	693	5,129	31,173	13,647	60,024
Additions	1,218	30	2,600	14,009	8,073	25,930
Transfer mineral property interests to depreciable assets	-	-	-	3,090	(3,090)	-
Disposals	(9)	-	(204)	(97)	-	(310)
Foreign exchange	(119)	(56)	(373)	(1,123)	(127)	(1,798)
Depreciation	(497)	(168)	(1,378)	(7,801)	-	(9,844)
As at December 31, 2019	**$9,985**	**$1,427**	**$12,332**	**$56,708**	**$18,503**	**$98,955**
At December 31, 2019						
Cost	$10,501	$1,771	$17,012	$73,536	$18,503	$121,323
Accumulated depreciation	(516)	(344)	(4,680)	(16,828)	-	(22,368)
Net book value	**$9,985**	**$1,427**	**$12,332**	**$56,708**	**$18,503**	**$98,955**

	Land & Buildings	Vehicles	Equipment	Mine and Mill Facilities	Mineral Property Interests	Reed Mine	Total
As at January 1, 2018	**$229**	**$919**	**$6,719**	**$10,123**	**$48,956**	**$5,519**	**$72,465**
Additions	-	582	1,235	8,404	2,241	-	12,462
Disposals	-	(14)	(50)	-	-	-	(64)
Deemed disposal on deconsolidation	(209)	(4)	(292)	-	(51,239)	-	(51,744)
Foreign exchange	-	1	(105)	(64)	-	-	(168)
Depreciation	(10)	(112)	(1,234)	(1,144)	42	(5,519)	(7,977)
Assets held for sale	-	(444)	-	-	-	-	(444)
As at December 31, 2018	**$10**	**$928**	**$6,273**	**$17,319**	**$-**	**$-**	**$24,530**
At December 31, 2018							
Cost	$26	974.00	6,628	39,736	-	22,040	$69,404
Accumulated depreciation	(16)	(46)	(355)	(22,417)	-	(22,040)	(44,874)
Net book value	**$10**	**$928**	**$6,273**	**$17,319**	**$-**	**$-**	**$24,530**

For the year ended December 31, 2018, PPE classifications have been amended to reflect the aggregation of items of a similar nature to be consistent with the reporting for December 31, 2019 and revised accounting policy (note 2).

8. INVESTMENT IN ASSOCIATES

As at December 31, 2019, the Corporation held a direct 12.7% interest in SPC (December 31, 2017 – 12.7%). Management has determined that its investment in the common shares of SPC still gives it significant influence over SPC due to its board representation and participation in operating and policy-marking decisions. As a result, the Corporation continued to apply the equity method of accounting for its investment in SPC. SPC's financial year-end is August 31 to satisfy the reporting requirements of its majority shareholder. The Corporation's share of SPC's loss and comprehensive loss was calculated using SPC's financial results from December 1, 2018 to November 30, 2019, and considering any changes in the subsequent period from December 1 to December 31, 2019, that would materially affect the results. During the year ended December 31, 2018, the Corporation reviewed the carrying value for its investment in SPC for impairment and wrote down $535 as a result of this review.

During the year ended December 31, 2019, the Corporation's ownership interest in Orford was diluted to 23.6% (December 31, 2018 – 33%). The Corporation's ownership interest in the Dumont JV remained unchanged at 27.8%.

During the year ended December 31, 2019, the Corporation reviewed its carrying value for its investment in Orford for impairment and wrote down $2.3 million as a result of this review as a component of other expenses (note 20). The rationale for the impairment was primarily due to a sustained decline in the share value of the Corporation's ownership interest.

The following tables reflect the continuity of the Corporation's investments in associates:

	Dumont JV	Orford	SPC	Total
Balance as at January 1, 2018	$-	$-	$1,642	$1,642
Deemed acquisition	18,215	3,656	-	21,871
Loss on dilution of associate	-	(4)	(66)	(70)
Share of loss and comprehensive loss	(62)	(323)	(46)	(431)
Impairment loss	-	-	(535)	(535)
Balance as at December 31, 2018	$18,153	$3,329	$995	$22,477
Acquisition	-	219	-	219
Share of loss and comprehensive loss	(379)	(191)	(86)	(656)
Loss on dilution of associate	-	(73)	-	(73)
Impairment loss	-	(2,271)	-	(2,271)
Balance as at December 31, 2019	**$17,774**	**$1,013**	**$909**	**$19,696**

The following tables provide summary information for the Dumont JV being the only individually significant investment in an associate as at December 31, 2019 as well as a reconciliation of the carrying value:

As at and for the years ended December 31,	2019	2018
Cash and cash equivalents	**$3,291**	$4,312
Other current assets	**103**	6,146
Non-current assets	**68,925**	64,788
Total assets	**72,319**	75,246
Current liabilities	**294**	603
Non-current liabilities	**11,258**	10,614
Total liabilities	**11,552**	11,217
Net assets	**$60,767**	$64,029
Loss before taxes	**222**	($1,058)
Income tax expense (recovery)	**666**	310
Loss and other comprehensive loss	**$888**	($748)
Interest income	$-	$38

Reconciliation of summarized data to carrying value

	Dumont JV
Net assets as at December 31, 2019	$60,767
Percentage ownership	27.8%
RNC's share of net assets	16,893
Other	881
Carrying value as at December 31, 2019	$17,774

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at	December 31, 2019	December 31, 2018
Trade accounts payable	**$7,264**	$4,747
Accrued liabilities	**18,056**	9,412
	$25,320	$14,159

10. LONG-TERM DEBT

Long-term debt comprises the following:

Year ended December 31, 2019	RNC IQ Loan (i)	RNC Bridge (ii)	RNC Revolver (ii)	SLM Secured Facilities (iii)	SLM Secured Facilities (iii)	Total
Balance as at January 1, 2019	$444	$-	$-	$4,046	$-	$4,490
Additions	-	25,000	10,000	-	2,382	37,382
Issue costs	-	(1,948)	-	-	-	(1,948)
Repayment in cash	(120)	-	(3,000)	(4,111)	(2,448)	(9,679)
Reassignment between Revolver and Bridge	-	7,000	(7,000)	-	-	-
Accretion expense	-	521	-	188	69	778
Change due to foreign exchange translation	-	-	-	(123)	(3)	(126)
Balance as at December 31, 2019	**324**	**30,573**	**-**	**-**	**-**	**30,897**
Less current portion	120	-	-	-	-	120
Non-current portion	$204	$30,573	$-	$-	$-	$30,777

Year ended December 31, 2018	RNC IQ Loan (i)	SLM Secured Facility (iii)	SLM Senior Secured Loan Facility (iv)	RNC YA II PN Note Agreement (v)	Total
Balance as at January 1, 2018	$ 544	$ -	$ 9,203	$ 3,130	$ 12,877
Additions	-	3,940	-	-	3,940
Repayments in cash	(100)	-	(7,702)	(1,327)	(9,129)
Repayments in gold deliveries	-	-	(4,272)	-	(4,272)
Repayments in shares	-	-	-	(3,046)	(3,046)
Loss on settlement of debt	-	-	162	516	678
Accretion expense	-	33	2,142	640	2,815
Change due to foreign exchange translation	-	73	467	87	627
Balance as at December 31, 2018	**444**	**4,046**	**-**	**-**	**4,490**
Less current portion	120	4,046	-	-	4,166
Non-current portion	$ 324	$ -	$ -	$ -	$ 324

(i) IQ Loan

In 2017, the Corporation borrowed $0.5 million from Investissement Quebec (“IQ”) with the following terms: (i) the Corporation is required to repay the loan by making 60 monthly principal re-payments in the amount of $10 each starting in February 2018; (ii) the loan expires in 2023; (iii) the rate of interest is based on prime plus 0.25%; (iv) qualifying expenses incurred until June 30, 2017; and (v) the loan is secured by a general security agreement granted by the Corporation over certain personal and intangible property.

(ii) Bridge and Revolver Facilities

Concurrent with the acquisition of HGO during June 2019, the Corporation secured two facilities with a corporate lender being a bridge facility in the amount of $25 million (“**Bridge**”) and a revolving facility in the amount of $10 million (“**Revolver**”). As discussed below, the Bridge increased by $7 million against a reduction to the Revolver. The Bridge had an initial term of up to 18 months which was repayable without penalty at 12 months. The term was subsequently extended by 6 months to expire June 2021. The facility does not require repayment of principal until the expiry of the term and bears interest at a rate of 10% per annum paid monthly. Total issue costs of $1.9 million are accreted over the term of the Bridge which includes $0.3 million referred to below in respect of the restructured Revolver. A portion of the total issue costs included the issuance of 1.5 million shares at a value of $0.7 million.

The Revolver had an initial term of 12 months, extendible for a further six months for no additional fee. The facility did not require repayment of principal until the expiry of the term, and bore interest at a rate of 10% per annum paid monthly. Repayments could be made throughout the term of the facility with no penalty. During the year ended December 31, 2019, principal payments of $3.0 million were made against the Revolver. The remaining $7 million was restructured to have terms and conditions identical to the Bridge as above leaving no balance remaining as at December 31, 2019. Issue costs of $0.6 million were incurred for the Revolver and were initially recorded as prepaid expenses. Upon the restructure of the Revolver, the remaining unamortized issue costs of $0.3 million were allocated to the Bridge.

(iii) SLM Secured Facilities

On December 14, 2018, SLM entered into an arrangement to borrow USD $2.9 million ($3.9 million) from Auramet International LLC ("Auramet"). The facility was repayable on April 15, 2019 with an option to extend the delivery date for 30 days and the facility costs were accreted over the four-month term to maturity. The facility was secured by gold specimens produced by the Beta Hunt mine representing 2,630 ounces of gold. This facility was extended to May 15, 2019 with the same terms and conditions.

On Feb 28, 2019, SLM entered into an arrangement to borrow USD $1.9 million ($2.4 million) from Auramet. The facility was repayable on or before April 30, 2019 with an option to extend 30 days and the facility costs were accreted over the two-month term to maturity. This facility was extended to May 31, 2019 with the same terms and conditions. The facility was secured by gold specimens produced by the Beta Hunt mine representing 1,370 ounces of gold.

The SLM facilities were both fully repaid during the year ended December 31, 2019.

(iv) Senior Secured Loan Facility

On December 8, 2017, SLM entered into a Senior Secured Loan Facility with Auramet in the amount of US$12.7 million ($16.3 million) which comprised a US$9.0 million ($11.6 million) cash loan with a gold coupon and a US$3.7 million ($4.7 million) nickel prepayment loan. Under the terms of the facility, Auramet subscribed for 29,750,312 common shares of the Corporation at a price of $0.16 per share which were issued on January 3, 2018. The proceeds of the facility were used to satisfy the remaining obligation under the Senior Secured Gold Loan to deliver 11,760 ounces of gold.

The US$3.7 million nickel repayment loan was repaid by the delivery and purchase of a total of 372 tonnes of nickel during the period March 2018 to July 2018.

The balance of the US$9.0 million cash loan was fully repaid during the year ended December 31, 2018 by making principal payments of US$2.8 million ($3.6 million) and a final bullet payment of US$2.9 million ($3.8 million) on September 28, 2018. The Corporation also paid an early settlement fee of US$0.1 million ($0.2 million). As part of the settlement of the Senior Secured Loan Facility with Auramet and in payment of the final bullet payment, the Corporation entered into a Purchase and Sale Agreement to deliver 2,797 ounces of gold at a price of US$1,180 per ounce. The amount was initially recognized as a contract liability on the consolidated statement of financial position.

(v) YA II PN Note Agreement

On November 14, 2016, the Corporation contracted an unsecured note payable with YA II PN, Ltd. The proceeds of the loan were used for general working capital purposes. The initial agreement represented a commitment up to US$10 million ($13.4 million), of which US$2.5 million ($3.4 million) was initially drawn at an annualized interest rate of 12%. On August 8, 2017, the Corporation restructured the unsecured note payable with YA II PN, Ltd. and it was further amended on December 24, 2017. Under the terms of the restructuring, the lender advanced US$3.0 million ($3.8 million) to the Corporation, of which US$1.4 million ($1.8 million) was used to fully repay the then current facility. The facility bore 12% annualized interest. The principal and interest were repayable over a nine-month period from December 2017 to August 2018. As part of the transaction, the Corporation issued 5.9 million 24-month warrants to the lenders exercisable at a strike price of $0.24 per share.

The principal and interest were fully repaid during the year ended December 31, 2018 with US$1 million ($1.3 million) and a series of shares issued (note 15) totalling $3.0 million.

11. CONVERTIBLE DEBENTURES

There were no balances owing or activity in respect of convertible debentures during the year ended December 31, 2019. The table below shows the change in the carrying value of the convertible debentures during the year ended December 31, 2018.

Year ended December 31, 2018	**Waterton (i)**	**Pala (ii)**	**Total**
Balance as at January 1, 2018	$12,832	$8,273	$21,105
Repayments in cash	-	(4,008)	(4,008)
Repayments in shares	-	(4,349)	(4,349)
Converted into units of Dumont JV	(13,087)	-	(13,087)
Change in fair value of derivative	(1,735)	320	(1,415)
Loss (gain) on settlement of debt	1,163	(1,506)	(343)
Accretion expense	159	578	737
Change due to foreign exchange translation	668	692	1,360
Balance as at December 31, 2018	$-	$-	$-

(i) Waterton

On June 7, 2017, the Corporation issued an unsecured convertible debenture in the amount of US$10 million ($13.2 million) to Waterton (the "**Waterton Debenture**"). The Waterton Debenture bore interest at a rate of 10% per annum, payable quarterly, and had a four-year term maturing June 7, 2021. Waterton had the right to convert the debenture into units (a "Unit Conversion") of the Dumont JV. After receiving any notice of a Unit Conversion in excess of US$4.5 million, the Corporation would have the right to prepay such excess principal plus applicable pre-payment fees and maintain a 40% interest in the Dumont JV (the "prepayment right"). On June 18, 2018, the Corporation agreed to remove the prepayment right. On July 23, 2018, Waterton triggered the conversion of its US$10 million convertible debenture for the full principal amount of the debenture.

(ii) Pala

On December 14, 2017, the Corporation issued a convertible debenture in the amount of US$6.0 million ($7.7 million) to Pala Investments Limited ("Pala") (the "**Pala Debenture December**"). The Pala Debenture December bore interest at a rate of 14% per annum, compounded and payable monthly during the fifteen-month term. The Pala Debenture December was repayable in 15 equal monthly principal instalments of US$0.2 million ($0.3 million) beginning in January 2018, in either nickel tonnes or cash at Pala's election as well as a lump sum payment for the remaining US$3.0 million ($3.8 million) in March 2019, also payable in either nickel tonnes or cash at Pala's election. The Pala Debenture December was secured by a second priority security interest over all SLM assets subordinate to the Senior Secured Loan Facility in place with Auramet. If an event of default occurred including non-payment of principal or interest, failure to make any payment when it fell due on other debt exceeding $0.5 million, or a change of control, the interest rate increased to 20% and Pala could exercise an option to be paid the outstanding amount in cash or nickel tonnes. Under the terms of the debenture agreement, the five million share purchase warrants issued pursuant to the Pala Debenture September were cancelled in return for a 2.25% royalty on future Beta Hunt nickel production commencing April 1, 2019. Of the US$6.0 million proceeds, US$2.0 million ($2.6 million) was received in cash, net of fees, and the remainder was used to settle a previous convertible debenture with Pala in full.

During the year ended December 31, 2018, eight monthly principal instalments were paid totalling US$1.6 million ($2.1 million). On September 24, 2018, Pala converted US$3.4 million ($4.3 million) of the outstanding amount into 17,140,640 common shares of the Corporation. On September 28, 2018, the Corporation repaid the remaining US$1.4 million ($1.9 million) balance of the convertible debenture. During the year ended December 31, 2018, the Corporation issued 2,500,000 warrants to Pala at an exercise price of $0.25 per share and a three-year term. The fair value of $0.029 per warrant for a total of $74 was determined using the Black-Scholes method using following assumptions:

Share price	$0.10
Exercise price	$0.25
Risk free interest rate	1.85%
Expected life	3 years
Expected volatility	78%
Expected dividends	nil

12. LEASE OBLIGATION

The following table reflects the continuity of lease obligations for the year ended December 31, 2019:

For the year ended December 31,	**2019**
Opening balance	$292
Adoption of IFRS 16 (note 2)	445
Additions	1,238
Disposals	(319)
Accretion	115
Cash payments	(534)
Foreign exchange	(15)
Closing balance	1,222
Less current portion	479
Non-current portion	$743

13. CONTRACT LIABILITIES

The Corporation has a USD $5.0 million ($6.5 million) in-process gold facility with Auramet. The gold facility is classified as a contract liability. As at December 31, 2019, there was no balance outstanding under this facility. As at December 31, 2018, $4.9 million was outstanding in respect of 3,017 ounces of gold.

14. DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on the Corporation's specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in Level 2.

As at December 31, 2019, all of the Corporation's derivative financial instruments have been classified as Level 2 financial instruments according to the Corporation's fair value hierarchy. The fair value of these instruments is determined using the Black-Scholes method.

The Corporation did not apply hedge accounting on its outstanding derivatives. Therefore, changes in fair value are recorded in the consolidated statement of comprehensive loss on a mark to market basis and recorded in financial assets and financial liabilities. For the years ended December 31, 2019 and 2018, the table below summarizes the movements in derivative financial liabilities:

Years ended December 31,	**2019**	2018
Opening liability	**$1,131**	$3,579
Net change in fair value of derivatives	**8,226**	1,253
Settlement of matured derivatives	**(6,405)**	(3,782)
Change due to foreign exchange	**(135)**	81
Closing liability	**$2,817**	$1,131

The following table summarizes the outstanding derivative positions at December 31, 2019:

	Maturity		Statement of Financial Position Classification
	Current	Total	Current Liabilities
Gold call option sell contracts			
Ounces	13,000	**13,000**	
Average price per ounce (in AUD)	$1,930	**$1,930**	
Fair value of liability as at December 31, 2019	($2,823)	**($2,823)**	($2,823)
Gold put option buy contracts			
Ounces	13,000	**13,000**	
Average price per ounce (in AUD)	$1,825	**$1,825**	
Fair value of asset as at December 31, 2019	$6	**$6**	$6
Total			**($2,817)**

The following table summarizes the outstanding derivative positions at December 31, 2018:

	Maturity		Statement of Financial Position Classification
	Current	Total	Current Liabilities
Gold call option sell contracts			
Ounces	9,025	**9,025**	
Average price per ounce (in AUD)	$1,750	**$1,750**	
Fair value of liability as at December 31, 2018	($857)	**($857)**	($857)
Gold forward sell contracts			
Ounces	927	**927**	
Average price per ounce (in USD)	$1,194	**$1,194**	
Fair value of liability as at December 31, 2018	($106)	**($106)**	($106)
Gold forward sell contracts			
Ounces	2,127	**2,127**	
Average price per ounce (in AUD)	$1,737	**$1,737**	
Fair value of liability as at December 31, 2018	($168)	**($168)**	($168)
Total			**($1,131)**

15. RESTORATION, REHABILITATION AND ENVIRONMENTAL OBLIGATIONS

The asset, rehabilitation and environmental obligations represent the legal and contractual obligations associated with the eventual closure and reclamation of the Corporation's Beta Hunt Mine and the HGO mine and mill operations. The obligation consists of costs associated with reclamation, environmental monitoring, and the removal of tangible assets. As at December 31, 2019, the carrying value of the obligations represents the net present value of the estimated undiscounted cash flows required to settle the obligations, which total $21.1 million (2018 - $1.5 million), using an average discount rate of 1.4% (2018 - 1.9%). The settlements of these obligations are expected to be completed by 2040.

The following table reflects the continuity of asset, rehabilitation and environmental obligations for the years ended December 31, 2019 and 2018:

For the years ended December 31,	**2019**	2018
Opening balance	**$937**	$2,214
Acquisition of HGO (note 4)	**19,556**	-
Additions	**753**	-
Accretion expense	**156**	18
Payments	**-**	(817)
Loss of control of Orford and of joint control of Dumont JV	**-**	(497)
Change in foreign exchange	**(283)**	19
Closing balance	**21,119**	937
Current portion	**-**	92
Non-current portion	**$21,119**	$845

16. SHARE CAPITAL

The Corporation is authorized to issue an unlimited amount of common shares.

On September 20, 2019, the Corporation closed a bought deal financing of 46,156,000 units at a price of $0.40 per unit for gross proceeds of $18.5 million. Each unit consists of one common share and one-half common share warrant for a total of 46,156,000 common shares and 23,078,000 warrants. The financing was underwritten on a bought deal basis by a syndicate of underwriters. In connection with the financing, the Corporation granted the underwriters an over-allotment option, exercisable at the issue price for a period of 30 days following the closing to purchase up to an additional 6,750,000 shares (representing 15% of the shares offered pursuant to the financing) to cover over-allotments, if any, or for market stabilization purposes. Each warrant is exercisable to acquire one common share at a price per warrant of $0.50 for a period of 24 months from the closing date of the financing. Total issue costs were $1.1 million. The financing raised $18.5 million of which $17.1 million was applied to the shares at fair value and the warrants were valued using the residual method which resulted in a value of $1.4 million.

On June 10, 2019, the Corporation closed the acquisition of the HGO from Westgold (note 4). As part of the consideration, upon closing, the Corporation issued 49,811,364 shares valued at $23.0 million, net of issue costs of $0.3 million.

On April 18, 2019, the Corporation closed a bought deal financing of 24,490,000 shares at a price of $0.49 per share for gross proceeds of $12.0 million. The financing was underwritten on a bought deal basis by a syndicate of underwriters. In connection with the financing, the Corporation granted the underwriters an over-allotment option, exercisable at the issue price for a period of 30 days following the closing to purchase up to an additional 3.7 million shares (representing 15% of the shares offered pursuant to the financing) to cover over-allotments, if any, or for market stabilization purposes. In addition, 1,469,400 warrants were granted at an exercise price of $0.49 for two years. The warrants had an aggregate fair value of $0.5 million which were included in total issue costs of $1.6 million. The warrants were valued using the Black-Scholes option pricing model and using the following assumptions:

Share price	**$0.49**
Exercise price	**$0.49**
Risk free interest rate	**1.61%**
Expected life	**2.0 years**
Expected volatility	**125%**
Expected dividends	**nil**

On March 26, 2019, the Corporation entered into a purchase option agreement ("**Purchase Option**") with Westgold for HGO (note 4). The Corporation made a non-refundable payment of 7,104,655 shares valued at AUD $4.0 million ($3.8 million) which was initially accounted for as a derivative asset on the Corporation's consolidated statement of financial position. The Purchase Option provided for an exclusive 40-day period to complete due diligence with closing to occur 30 days later if the Purchase Option is exercised. The option was exercised and the fair value formed part of the purchase consideration referenced in note 4.

On January 16, 2019, the Corporation closed a bought deal and concurrent private placement financing of a total of 19,565,000 common shares of the Corporation at a price of $0.46 per common share for aggregate gross proceeds of $9.0 million. The bought deal consisted of 13,044,000 common shares at a price of $0.46 for gross proceeds of $6.0 million. The private placement was completed on the basis of 6,521,000 additional common shares at a price of $0.46 per common share generating additional gross proceeds of $3.0 million. Issue costs totalling $1.4 million were incurred. On January 18, 2019, the underwriters of the January 16, 2019 bought deal exercised an over-allotment option for an additional 326,165 shares of the Corporation at $0.46 per common share for additional gross proceeds of $0.2 million. In addition, 1,193,468 warrants were granted at an exercise price of $0.46 for two years. The warrants had an aggregate fair value of $0.3 million which were included in total issue costs of $1.4 million. The warrants were valued using the Black-Scholes option pricing model and using the following assumptions:

Share price	**$0.46**
Exercise price	**$0.46**
Risk free interest rate	**1.89%**
Expected life	**2.0 years**
Expected volatility	**124%**
Expected dividends	**nil**

During the year ended December 31, 2019, 744,525 shares were issued to consultants with a value of $0.3 million which were measured on the basis of the Corporation's share price on the date of issue. Additionally, during July 2019, the Corporation issued 300,000 common shares to Abitibiwinni First Nation in respect of an Impact and Benefit Agreement for the Dumont Nickel-Cobalt Project for a value of $0.2 million determined based on the quoted share price on the date of share issuance.

On January 3, 2018, the Corporation issued 29,750,312 common shares to Auramet at a price of $0.16 per share for a value of $4.8 million which was in respect of the Senior Secured Loan Facility.

On January 3, 2018, the Corporation issued 5,781,250 common shares to a stakeholder at a price of $0.16 per share for value of $0.9 million to settle amounts payable. On August 7, 2018, the Corporation issued 10,735,142 common shares to a stakeholder at a price of $0.09 per share for value of $1.0 million to settle amounts payable.

In January 2018, the Corporation issued an aggregate amount of 10,000,000 common shares at $0.16 per share for gross proceeds of $1.6 million.

On March 28, 2018, the Corporation issued 700,000 common shares to Abitibiwinni First Nation in respect of an Impact and Benefit Agreement for the Dumont Nickel-Cobalt Project for a value of $0.3 million which was determined based on the quoted share price on the date of share issuance.

On September 24, 2018, Pala converted US$3,358 ($4,349) of its outstanding convertible debenture into 17,140,640 common shares of the Corporation at an average realized share price of $0.254. The shares were issued in connection with the settlement of the Pala debentures (note 11).

During the year ended December 31, 2018, an aggregate amount of 27,160,061 common shares were issued to YA II PN at an average share price of $0.112 for a value of $3.0 million. The shares were issued in connection with the full settlement of the Corporation's debt obligations with YA II PN (note 10).

During the year ended December 31, 2018, 3,680,276 shares were issued to consultants with a value of $0.8 million which were measured on the basis of the Corporation's share price on the date of issue.

17. WARRANTS AND COMPENSATION WARRANTS

The following table reflect the continuity of warrants for the years ended December 31, 2019 and 2018:

	Warrants		Compensation Warrants/Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Balance as at January 1, 2018	22,403,211	$0.43	1,451,805	$0.41
Granted	2,500,000	$0.25	-	$-
Exercised	(24,469,102)	$0.41	-	$-
Forefeited	565,891	$0.44	(811,785)	$0.34
Expired	(1,000,000)	$0.50	(640,020)	$0.50
Balance as at December 31, 2018	-	$-	-	$-
Granted (note 16)	25,740,868	$0.50	-	$-
Exercised	(667,279)	$0.48	-	$-
Balance as at December 31, 2019	**25,073,589**	**$0.50**	**-**	**$-**

As at December 31, 2019, the weighted average remaining contractual life of the warrants was 1.7 years.

18. SHARE INCENTIVE PLANS

The Corporation's 2010 share incentive plan, as amended and restated on June 19, 2019 (the "**Plan**"), provides for the granting of equity-based compensation securities, including options and awards for the purpose of advancing the interests of the Corporation through the motivation, attraction and retention of key officers, directors, employees and consultants of the Corporation. The Plan provides for the issuance of share options and other equity-based awards including share appreciation rights, restricted shares, restricted share units, deferred share units, performance shares and performance share units. The Plan provides that the maximum number of common shares issuable upon the exercise of share options and made available as other equity-based awards, in aggregate, shall not exceed 15% of the issued and outstanding common shares from time to time.

Share Purchase Options

At the time of grant or thereafter, the Compensation Committee (the "**Committee**") of the Board of Directors may determine when a share option will vest and become exercisable and may determine that the share option shall be exercisable in instalments on such terms as to vesting or otherwise as the Committee deems advisable subject to the rules of the Toronto Stock Exchange, if any. Unless otherwise determined by the Committee, share options will vest and become exercisable, as to one third of the share options granted, on each of the first, second and third anniversaries of the date of grant, provided that the participant is an eligible employee, eligible director, consultant or other participant at the time of vesting. Under the Plan, the expiry date of share options may not exceed ten years from the date of grant.

During the year ended December 31, 2019, 9,251,663 (2018 – 5,915,552) share options were exercised for cash proceeds of $2.6 million (2018 – $1.7 million) at a weighted average market rate of $0.28 (2018 - $0.27) per option, as estimated at the time of each grant. The weighted average market price in respect of exercised options for the year ended December 31, 2019 was $0.54 (2018 - $0.48) per option.

The fair value of options granted was calculated using the Black-Scholes option pricing model, using the following weighted average assumptions:

For the years ended December 31,	**2019**	2018
Number of options granted	**6,785,000**	16,066,000
Share price	**$0.55**	$0.27
Exercise price	**$0.55**	$0.27
Risk free interest rate	**1.7%**	2.1%
Expected life	**3.7 years**	4.3 years
Expected volatility	**106%**	77%
Expected dividends	**nil**	nil

The following table reflects the continuity of share purchase options for the years ended December 31, 2019 and 2018:

	Number of options	Weighted Average Exercise Price
Balance as at January 1, 2018	26,710,529	$0.37
Granted	16,066,000	0.27
Exercised	(5,915,552)	0.28
Forfeited	(3,728,999)	0.42
Expired	(25,000)	2.50
Balance as at December 31, 2018	33,106,978	0.34
Granted	6,785,000	0.55
Exercised	(9,251,663)	0.28
Forfeited	(1,148,667)	0.50
Expired	(3,126,147)	0.76
Balance as at December 31, 2019	**26,365,501**	**$0.35**

As at December 31, 2019, the Corporation had the following share purchase options outstanding:

		Options Outstanding			Options Exercisable	
Exercise Price Range	Number of Options	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Options	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$0.09-$0.25	8,566,334	2.9	$0.22	7,092,664	2.8	$0.21
$0.26-$0.27	6,970,000	2.0	$0.27	6,970,000	2.0	$0.27
$0.28-$0.50	5,426,167	3.5	$0.40	1,649,500	1.3	$0.37
$0.51-$2.15	5,403,000	3.9	$0.63	2,370,000	3.6	$0.60
	26,365,501	**3.0**	**$0.35**	**18,082,164**	**2.5**	**$0.30**

Deferred Share Units

Under the Plan, a participant is only entitled to payment in respect of a deferred share unit when the participant ceases to be a director of the Corporation or any affiliate thereof for any reason. Upon redemption of a vested unit, the participant has the option to receive (i) one common share of the Corporation or (ii) an amount in cash equal to the fair market value of a common share of the Corporation on the date of redemption. The expense is recorded in the statement of comprehensive loss in general and administrative

expenses and credited to share-based incentive liabilities since the payment in cash or common shares is at the option of the participant.

The following table reflects the continuity of deferred share units for the years ended December 31, 2019 and 2018:

	Number of Deferred Share Units
Balance as at January 1, 2018	1,097,343
Settled	(138,000)
Balance as at December 31, 2018	959,343
Settled	(175,000)
Balance as at December 31, 2019	**784,343**

As at December 31, 2019, all 784,343 deferred share units were vested. The weighted average exercise price of the deferred share units is nil.

Restricted Share Units

Under the Plan, redemption of vested restricted share units shall take place no later than the third anniversary of the date of grant. The Corporation has granted the following two types of restricted share units: (i) cash settled units, and (ii) units settled in cash and/or shares at the option of the participant**.** Upon redemption of vested units, the participant will either receive cash equal to the multiple obtained if the number of vested restricted units is multiplied by the fair market value of a common share of the Corporation on the redemption date, or for restricted share units with an option, the participant may choose to receive (i) the number of underlying common shares of the Corporation or ii) a combination of common shares of the Corporation and/or cash. The expense for both types of restricted share units is recorded in the statement of comprehensive loss in general and administrative expenses and credited to liabilities under share-based incentive liabilities since some units will settle for cash only, while other units will settle for cash or common shares at the option of the participant.

The following table reflects the continuity of restricted share units for the years ended December 31, 2019 and 2018:

	Number of Restricted Share Units
Balance as at January 1, 2018	8,575,015
Granted	3,683,031
Settled for shares	(2,123,324)
Settled for cash	(248,303)
Balance as at December 31, 2018	9,886,419
Granted	10,490,773
Settled for shares	(1,400,770)
Settled for cash	(5,240,696)
Balance as at December 31, 2019	**13,735,726**

Included in the 13,735,726 restricted share units outstanding as at December 31, 2019, are 9,267,685 units that can only be settled for cash.

As at December 31, 2019, the weighted average remaining contractual life of the outstanding restricted share units was 2.4 years and 4,589,725 restricted share units were vested with a remaining contractual life of 1.3 years.

Share Appreciation Rights

Under the Plan, participants have the right to receive a cash payment on the redemption of a share appreciation right provided that such share appreciation right has vested. Such cash payment will be equal to the amount if any, by which the fair market value of a common share of the Corporation on the date of redemption exceeds the fair market value of a common share of the Corporation on the date of grant (the "**Base Price**"). The expense for share appreciation rights is recorded in the statement of comprehensive loss in general and administrative expenses and credited to other non-current liabilities and provisions.

The share appreciation rights (the "Service Condition SARs") vest if the Committee passes a resolution approving the redemption of the Service Condition SARs having regard to the Corporation's financial condition, project status and overall market conditions provided that the number of Service Condition SARs to vest will be dependent upon the length of service of the participant.

The following table reflects the continuity of share appreciation rights for the years ended December 31, 2019 and 2018:

	Number of Share Appreciation Rights
Balance as at January 1, 2018	906,000
Settled	(100,000)
Expired	(104,000)
Balance as at December 31, 2018	702,000
Settled	(520,000)
Balance as at December 31, 2019	**182,000**

As at December 31, 2019, the weighted average remaining contractual life of the outstanding share appreciation rights is 2.0 years and all share appreciation rights were vested.

The weighted average fair value of the share appreciation rights outstanding at the end of the period, as estimated as at December 31, 2019, was $0.35 (2018 - $0.27). These calculations used the Black-Scholes option pricing model, using the following assumptions:

For the years ended December 31,	**2019**	2018
Share price	**$0.50**	$0.48
Base price	**$0.40**	$0.40
Risk free interest rate	**1.8%**	1.9%
Expected life	**3.0 years**	4.0 years
Expected volatility	**111%**	101%
Expected dividends	**nil**	nil

The expense recognized from share-based compensation transactions for services received during the years is shown in the following table:

For the years ended December 31,	2019	2018
Equity settled share-based compensation transactions		
Share purchase options – RNC	**$1,089**	$2,387
Share purchase options – Orford	**-**	136
Total equity settled share-based compensation transactions	**1,089**	2,523
Cash settled share-based compensation transactions		
Restricted share units	**1,020**	885
Share appreciation rights	**-**	74
Mark-to-market adjustment for deferred and restricted share units and share appreciation rights	**354**	3,354
Total cash settled share-based compensation transactions	**1,374**	4,313
Accrued share-based compensation transactions	**-**	75
Total expense arising from share-based compensation transactions	**$2,463**	$6,911

The carrying amounts of the liabilities relating to deferred and restricted share units as at December 31, 2019 are $0.4 million and $2.6 million, respectively (December 31, 2018 - $0.5 million and $4.7 million, respectively) which is included in share incentive plan liabilities on the statement of financial position. Share appreciation rights of $0.1 million (December 31, 2018 - $0.2 million) are included in other non-current liabilities and provisions on the statement of financial position.

19. GENERAL AND ADMINISTRATIVE EXPENSES

For the years ended December 31,	2019	2018
General and administrative: share-based payments (note 18)	**$2,463**	$6,911
Expense by nature:		
Employee and contractor compensation	**4,841**	2,977
Directors' fees	**267**	289
Professional fees	**1,782**	946
Public company expenses	**293**	239
Office and general	**2,302**	914
Conference and travel	**594**	276
Investor relations	**1,607**	1,015
Business development	**98**	566
Acquisition costs	**2,771**	-
Depreciation and amortization	**226**	124
General and administrative: other	**$14,781**	$7,346

20. OTHER EXPENSES, NET

For the years ended December 31,	**2019**	2018
Share of loss of associates	**$729**	$431
Impairment on an investment of associate	**2,271**	535
Loss on deemed disposal upon loss of control of subsidiaries	**-**	3,107
Accretion expense	**893**	3,552
Interest expense	**2,003**	1,900
Finance and other expense	**368**	2,193
Unrealized loss on revaluation of marketable securities	**113**	-
Change in fair value – derivative financial instruments	**8,226**	1,253
Change in fair value – embedded derivative	**-**	(1,415)
Realized losses on Pala loan nickel derivative	**-**	615
Change in fair value - nickel loan	**-**	622
Change in fair value - gold coupon	**-**	633
Foreign exchange loss	**6,247**	3,682
Gain on sale of mineral property interests	**(270)**	-
Loss on other investment	**-**	17
Loss on debt settlement	**-**	173
Early settlement on senior secured loan facility	**-**	162
Loss on reclassification of deferred revenue	**-**	1,692
Royalty buyback	**-**	1,618
	$20,580	$20,770

21. INCOME TAX

The major components of income tax expense are as follows:

	2019	2018
Tax expense applicable to:		
Current taxes	**$(165)**	$653
Deferred taxes		
Income taxes - origination and reversal of temporary differences	**160**	(7,940)
Mining taxes - origination and reversal of temporary differences	**-**	123
Relating to differences between tax jurisdictions	**229**	290
Relating to unrecognized temporary differences	**(998)**	7,742
Relating to amortization of flow-through share premium	**-**	(383)
Total tax expense (recovery)	**$(774)**	$485

A reconciliation between tax expense and the product of accounting loss multiplied by the Corporation's domestic tax rate is as follows:

	2019	2018
Statutory tax rate	**25.36%**	25.59%
Tax benefit of statutory rate	**$(1,957)**	$(2,024)
Expenses not deductible/(taxable) for income tax purposes	**2,478**	4,927
Tax rate differential	**(1,358)**	290
Tax effect of renounced flow-through share expenditures	**-**	314
Amortization of flow-through share premiums	**-**	(383)
Quebec mining duties, net of tax	**(653)**	727
Utilization of previously unrecognized tax assets	**-**	(7,101)
Tax effect of unrecognized temporary difference and tax losses	**(998)**	7,742
Relating to deconsolidation of Magneto JV	**-**	(4,951)
Prior year adjustment	**1,714**	1,283
Non-deductible item	**-**	(152)
Other	**-**	(187)
Total tax expense (recovery)	**$(774)**	$485

The Corporation offsets tax assets and liabilities if and only if it has a legally enforceable right to set off the current tax assets and current tax liabilities or deferred tax assets and liabilities and they relate to taxes levied by the same tax authority.

The tax benefits of the following temporary differences have been recognized in the consolidated financial statements:

	Balance January 1, 2019	Recognized in Profit and Loss	Recognized on Acquisition of HGO (Note 4)	Balance December 31, 2019
Deferred tax assets (liabilities):				
Loss carry-forward	$2,046	$4,618	$-	$6,664
Property, plant and equipment and mineral property interests	(2,038)	(9,875)	-	(11,913)
Financing costs	639	1,227	-	1,866
Long-term debt	874	7,220	-	8,094
Rebates	-	169	-	169
Investment in Magneto JV	(4,632)	128	-	(4,504)
Other	3,111	(2,878)	(233)	-
Net deferred tax assets (liabilities)	**$-**	**$609**	**$(233)**	**$376**

	Balance January 1, 2018	Recognized in Profit and Loss	Recognized on Deconsolidation	Balance December 31, 2018
Deferred tax assets (liabilities):				
Loss carry-forward	$16,217	$(13,040)	$(1,131)	$2,046
Property, plant and equipment and mineral property interests	(10,069)	8,031	-	(2,038)
Financing costs	113	583	(57)	639
Long-term debt	(326)	1,200	-	874
Investment in Magneto JV	(13,888)	8,013	1,243	(4,632)
Other	144	(5,002)	7,969	3,111
Net deferred tax asset (liabilities)	$(7,809)	$(215)	$8,024	$-

The tax benefits of the following unused tax losses and deductible temporary differences have not been recognized in the consolidated financial statements:

	2019	2018
Tax loss carry-forwards		
Expire 2026–2039	**$77,452**	$86,181
Mineral properties	**1,078**	998

The Corporation is subject to federal income taxes, provincial income taxes, and provincial mining taxes. Tax laws are complex and can be subject to different interpretations. Uncertainties exist with respect to the interpretation of tax regulations, including the determination of which mining exploration expenditures are eligible for refundable tax credits, and the amount and timing of collection. The Corporation has prepared its tax provision based on the interpretations of tax laws which it believes represent the probable outcome. The Corporation may be required to change its provision for income taxes if the tax authorities ultimately are not in agreement with the Corporation's interpretation.

22. LOSS PER SHARE

For the years ended December 31,	**2019**	2018
Loss attributable to RNC shareholders	**$6,942**	$8,145
Weighted average number of common shares	**536,602,104**	386,770,034
Loss per share attributable to RNC shareholders – basic and diluted	**$0.01**	$0.02

The effect of potential issuances of shares under stock options, warrants, deferred share units, convertible debentures and restricted share units would be anti-dilutive for the years ended December 31, 2019 and 2018, and accordingly, basic and diluted loss per share are the same.

23. RELATED PARTY TRANSACTIONS

The following table reflects remuneration of key management, which consists of the Corporation's directors and executive officers:

Remuneration to key management

For the years ended December 31,	**2019**	2018
Management salaries and benefits	**$3,399**	$2,596
Directors' fees	**267**	289
Share-based payments - Management	**665**	1,077
Share-based payments - Directors	**1,101**	1,446
Mark-to-market adjustment for share-based payments	**434**	3,939
	$5,866	$9,347

Certain employment agreements between the executive team and the Corporation contain termination without cause and change of control provisions. Assuming that all members of the executive team had been terminated without cause on December 31, 2019, the total amounts payable to the executive team in respect of severance would have totaled $5.4 million. If a change of control had occurred on December 31, 2019, the total amounts payable to the executive team in respect of severance, if elected by each executive team member would have totaled $7.0 million.

The following table reflects transactions with equity accounted entities:

Recoveries of net general and administrative expenses

For the years ended December 31,	**2019**	2018
Dumont JV	**$700**	$611
Orford	**643**	837
	$1,343	$1,448

On December 31, 2019, the Corporation had accounts receivable from Dumont JV and Orford of $0.2 million (December 31, 2018 – nil) and $0.1 million (December 31, 2018 - $0.2 million), respectively.

24. CAPITAL MANAGEMENT

The capital of the Corporation consists of items included in RNC shareholders' equity of $92.3 million as at December 31, 2019 (2018 - $26.1 million). The Corporation's objectives are to manage the ability to continue as a going concern and to provide an adequate medium to long-term return to shareholders. The Corporation has working capital of $26.5 million on December 31, 2019 and expects to generate cash from its mining operations in 2020 and beyond. The Corporation does not expect to require additional financing to sustain operations and believes that it would be able to maintain positive cash flows going forward.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital within current economic conditions and manages its capital with the following objectives of:

(i) minimizing discretionary disbursements;
(ii) limiting exploration and evaluation expenditures to those of strategic value; and
(iii) exploring alternate sources of liquidity with an objective to minimize cost of capital.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is appropriate.

The Corporation is not subject to externally imposed capital requirements. Changes in capital are described in the consolidated statement of changes in equity.

25. FINANCIAL RISK FACTORS

The Corporation is exposed to various financial risks in its financial instruments resulting from both its operations and its investment activities. The Corporation's management manages financial risks. The Corporation does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes. The Corporation's main financial risks exposure and its financial policies are as follows:

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Corporation's credit risk is primarily attributable to cash and cash equivalents, amounts receivable, and derivatives with a fair value in the Corporation's favour. Trade and other receivables mainly consist of trade accounts receivable from Auramet, interest receivable from Canadian chartered banks, rebates and goods and services tax due from governments. The Corporation reduces its credit risk on its cash and cash equivalents by deposits and investments with major Canadian and Australian banks rated "A" or higher. Management believes that the credit risk concentration with respect to Auramet included in trade and other receivables and in the form of derivatives is minimal.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not have sufficient cash resources to meet its financial obligations associated with financial liabilities as they come due. The Corporation's liquidity and operating results may be adversely affected if the Corporation's access to the capital market or other alternative forms of financing is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Corporation. Most of the Corporation's financial liabilities are subject to normal trade terms with the exception of long-term debt, share incentive plans, derivative financial liabilities and lease obligations. The Corporation regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

As at December 31, 2019, the Corporation was in compliance with all of its debt covenants. In order to comply with these covenants in future periods, the Corporation will need to execute on its cash flow estimates and on management's plans for future actions. Management believes that the assumptions used by the Corporation in preparing its estimates are reasonable and plans for future actions are feasible. Failure to

comply with these covenants in the future may result in an event of default. If such event of default is not cured or waived, the Corporation may suffer adverse effects on its operations, business or financial condition, including termination of the debt facilities and acceleration of debts. In such situation, the assets of the Corporation might not be sufficient to repay such indebtedness in full, and such default could result in secured creditors' realization of collateral.

The following table summarizes the expected maturity of the Corporation's significant financial liabilities based on the remaining period from the balance sheet date to the contractual maturity date.

As at December 31, 2019	Payments by period					
	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years	Total	Carrying Value
Accounts payable and accrued liabilities	$25,320	$-	$-	$-	$25,320	$25,320
Long-term debt obligations	120	32,204	-	-	32,324	30,897
Lease obligation	420	698	126	126	1,370	1,222
Interest on long-term debt	3,220	2,844	-	-	6,064	-
Derivative liabilities	2,817	-	-	-	2,817	2,817
	$31,897	$35,746	$126	$126	$67,895	$60,256

Commodity Price Risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in commodity prices. The Corporation is exposed to fluctuations in commodity prices from its sale of metals. From time to time, the Corporation may enter into commodity contracts to hedge the effects of the change in gold price on revenues. Reference is made to note 14 for a summary of outstanding derivative positions in respect of the future sales. Sensitivity to a plus or minus 10% change in the price of gold would affect the reported revenues by approximately $0.2 million for every 1,000 ounces of gold sold. Regarding the Corporation's outstanding derivative financial positions (note 14), a $10 increase/decrease in the price of gold would result in an increase/decrease of $0.1 million in other expenses.

Currency Risk

The Corporation is subject to currency risk on its financial instruments which are denominated in a currency that is not the same as the functional currency of the entity that holds them. Exchange gains and losses would impact profit or loss. The Corporation is also exposed to the impact of currency fluctuations on its monetary assets and liabilities which includes intercompany financing arrangements. At December 31, 2019, with other variables unchanged, the effect of a one cent strengthening/weakening of the Australian dollar would result in a decrease/increase of $1.7 million in foreign exchange losses.

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities approximate their fair values due to their relatively short periods to maturity. With respect to long-term debt balances (note 10), carrying values and fair values are the same as initial recognition as their financing rates have not changed.

26. COMMITMENTS

Royalties

Existing royalty obligations at Beta Hunt are (i) Consolidated Minerals, 3% of payable nickel (at a nickel price under AUD$17,500/t) or 5% (at a nickel price of AUD$17,500 or greater) until total royalty payments reach AUD$16 million; (ii) Western Australian state government, 2.5% of recovered gold and nickel; and (iii) Maverix Metals Inc., 1.5% of payable nickel less allowable deductions, 6% of recovered gold and 1.5% of recovered gold less allowable deductions.

On December 19, 2019, the Corporation announced a restructured Morgan Stanley royalty applicable to certain HGO claims. The restructured royalty provides for (i) an adjusted legacy royalty rate on the first 2,500 ounces sold per quarter to a cumulative total of 110,000 ounces ("Legacy Ounces"), and (ii) a flat 2% net smelter royalty on ounces sold in excess of 2,500 per quarter that will become payable after the first 37,500 ounces are sold from HGO production. There are certain conditions relating to the maintenance of reserves equivalent to the remaining Legacy Ounces. If the Legacy Ounces are not sold within 15 years, the adjusted legacy rate will apply to subsequent ounces.

Other

In May 2017, the Corporation (through the Magneto JV) entered into an Impact and Benefit Agreement ("**IBA**") with the Abitibiwinni First Nation ("**AFN**") for the Dumont Nickel-Cobalt Project. 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 Nickel-Cobalt Project. The IBA provides for meaningful AFN participation in the Dumont Nickel-Cobalt Project through training, employment, business opportunities, collaboration in environmental protection and other means. The IBA includes a mechanism by which the AFN will benefit financially from the success of the project on a long-term basis.

27. CONTINGENT LIABILITY

On April 27, 2012, a statement of claim without specified damages was filed against VMS by W. Bruce Dunlop Limited regarding the Reed deposit. Given the facts and circumstances, while the outcome cannot be predicted with certainty, it is management's opinion that the outcome will not have a material adverse effect on the Corporation's consolidated financial statements. An appearance has been scheduled for April 14, 2020 in the Manitoba Court of Queen's Bench to set a trial date, which management anticipates would take place no earlier than September 2020. No additional provision has been recognized during the year ended December 31, 2019 for this or other matters.

28. SUPPLEMENTAL CASH FLOW INFORMATION

Other non-cash adjustments

For the years ended December 31,	**2019**	2018
Share of loss in associates	**$729**	$431
Change in fair value of derivative instruments	**8,226**	1,253
Settlement of derivative instruments	**(6,405)**	(5,197)
Accretion - asset retirement obligations	**156**	18
Accretion - long-term debt	**778**	3,552
Gain on sale of mineral property interest	**(270)**	-
Unrealized loss on revaluation of marketable securities	**113**	-
Asset retirement obligation payments	**-**	(817)
Gain on disposals	**-**	17
Loss on loss of control of subsidiaries	**-**	3,037
Loss on dilution of associate	**-**	70
Other	**74**	623
	$3,401	$2,987

Other supplemental information

For the years ended December 31,	**2019**	2018
Interest received	**$89**	$127
Interest paid	**1,837**	2,719
Share-based payments in mineral property interests	**-**	76
Depreciation of property, plant and equipment in mineral property interests	**-**	42
PPE and mineral property interests in accounts payable and accrued liabilities	**1,248**	1,753

29. SEGMENTED INFORMATION

The Corporation has production activities in Australia and exploration and evaluation activities in Canada and Australia.

For the year ended December 31, 2019	Beta Hunt Gold/Nickel Mine Australia	HGO Gold Mine/Mill Australia	Intersegment Elimination (1)	All Other	Total
Revenues	$94,631	$46,142	$(12,764)	$27	$128,036
Production and processing costs	54,920	36,680	(12,764)	-	78,836
Royalty expense	8,952	853	-	-	9,805
Depreciation and amortization	4,833	4,454	-	-	9,287
General and administrative: share-based payments	-	-	-	2,463	2,463
General and administrative: other	1,446	1,190	-	12,145	14,781
Operating earnings (loss)	$24,480	$2,965	$-	($14,581)	$12,864

1) Eliminates the revenues of HGO in respect of toll processing services provided to Beta Hunt Gold Mine.

As at December 31, 2019	Beta Hunt Gold/Nickel Mine Australia	HGO Gold Mine/Mill Australia	Intersegment Elimination (1)	All Other	Total
Property, plant and equipment and mineral property interests	$33,956	$64,854	$-	$145	$98,955
Total assets	58,930	80,946	-	37,901	177,777

For the year ended December 31, 2018 [1]

	Beta Hunt Gold/Nickel Mine Australia	Reed Copper Mine Canada	All Other	Total
Revenues	$106,578	$22,192	$-	$128,770
Production and processing costs [2]	77,886	4,856	-	82,742
Royalty expense	11,059	-	-	11,059
Depreciation and amortization	2,364	5,489	-	7,853
General and administrative: share-based payments	-	-	6,911	6,911
General and administrative: other	337	197	6,812	7,346
Operating earnings (loss)	$14,932	$11,650	($13,723)	$12,859

1) Segment information has been restated to aggregate the Beta Hunt Gold Mine and Beta Hunt Nickel Mine segments.

2) For the Gold/Nickel Mine Australia, production and processing costs includes $9,096 in respect of capital-related costs incurred during the year.

As at December 31, 2018				
Property, plant and equipment and mineral property interests	$24,474	$-	$56	$24,530
Total assets	34,092	78	23,842	58,012

30. QUARTERLY ADJUSTMENTS (unaudited – supplementary information)

The condensed interim consolidated financial statements have been restated to reflect an overstatement of expenses and an understatement of capitalized expenditures as well as an understatement of amortization expense and overstatement of capitalized expenditures in the consolidated financial statements as at and for the quarters ended March 31, 2019, June 30, 2019 and September 30, 2019, which was corrected in the December 31, 2019 consolidated financial statements.

The effects of the adjustments are as follows:

As at March 31, 2019

	As reported	Net Adjustments	As restated
Impacts on interim consolidated statement of financial position:			
Current assets	$14,192	$115	$14,307
Property, plant and equipment and mineral property interests	31,250	1,597	32,847
Other non-current assets	22,222	-	22,222
Total assets	$67,664	$1,712	$69,376
Current liablities	$28,349	$-	$28,349
Non-current liabilities	2,569	-	2,569
Total liabillities	30,918	-	30,918
Shareholders' equity	36,746	1,712	38,458
Total liabilties and shareholders' equity	$67,664	$1,712	$69,376

For the period ended March 31, 2019	Three Months		
	As reported	Net Adjustments	As restated
Impacts on interim consolidated statement of loss:			
Revenue	$10,863	$-	$10,863
Production and processing costs	8,259	(1,761)	6,498
Royalty expense	1,109	-	1,109
General and administrative	2,719	-	2,719
Depreciation and amortization	503	49	552
Operating earnings	(1,727)	1,712	(15)
Other expenses	(1,562)	-	(1,562)
Loss before income taxes	(3,289)	1,712	(1,577)
Income tax expense	-	-	-
Net loss for the period	($3,289)	$1,712	($1,577)
Impacts on interim consolidated statement of cash flow:			
Cash flow used in operations	($5,518)	$1,761	($3,757)
Cash flow used in investing activities	(5,982)	(1,761)	(7,743)
Cash flow provided by financing activities	10,912	-	10,912
Change in cash and cash equivalents	($588)	$-	($588)

As at June 30, 2019			
	As reported	Net Adjustments	As restated
Impacts on interim consolidated statement of financial position:			
Current assets	$39,046	$525	$39,571
Property, plant and equipment and mineral property interests	92,712	2,912	95,624
Other non-current assets	22,029	-	22,029
Total assets	$153,787	$3,437	$157,224
Current liablities	$47,316	$-	$47,316
Non-current liabilities	47,285	-	47,285
Total liabillities	94,601	-	94,601
Shareholders' equity	59,186	3,437	62,623
Total liabilties and shareholders' equity	$153,787	$3,437	$157,224

For the periods ended June 30, 2019	Three Months			Six Months		
	As reported	Net Adjustments	As restated	As reported	Net Adjustments	As restated
Impacts on interim consolidated statement of loss:						
Revenue	$17,249	$-	$17,249	$28,112	$ -	$28,112
Production and processing costs	16,120	(2,076)	14,044	24,379	(3,837)	20,542
Royalty expense	1,439	-	1,439	2,548	-	2,548
General and administrative	6,178	-	6,178	8,897	-	8,897
Depreciation and amortization	1,046	351	1,397	1,549	400	1,949
Operating earnings	(7,534)	1,725	(5,809)	(9,261)	3,437	(5,824)
Other expenses	(8,539)	-	(8,539)	(10,101)	-	(10,101)
Loss before income taxes	(16,073)	1,725	(14,348)	(19,362)	3,437	(15,925)
Income tax expense	(104)	-	(104)	(104)	-	(104)
Net loss for the period	($16,177)	$1,725	($14,452)	($19,466)	$3,437	($16,029)
Impacts on interim consolidated statement of cash flow:						
Cash flow used in operations	($6,330)	$2,076	($4,254)	($11,848)	$3,837	($8,011)
Cash flow used in investing activities	(25,172)	(2,076)	(27,248)	(31,154)	(3,837)	(34,991)
Cash flow provided by financing activities	39,594	-	39,594	50,506	-	50,506
Change in cash and cash equivalents	$8,092	$-	$8,092	$7,504	$-	$7,504

As at September 30, 2019	As reported	Net Adjustments	As restated
Impacts on interim consolidated statement of financial position:			
Current assets	$52,345	$412	$52,757
Property, plant and equipment and mineral property interests	91,681	1,902	93,583
Other non-current assets	22,196	-	22,196
Total assets	$166,222	$2,314	$168,536
Current liablities	$40,191	$-	$40,191
Non-current liabilities	46,521	-	46,521
Total liabillities	86,712	-	86,712
Shareholders' equity	79,510	2,314	81,824
Total liabilties and shareholders' equity	$166,222	$2,314	$168,536

For the periods ended September 30, 2019	Three Months			Nine Months		
	As reported	Net Adjustments	As restated	As reported	Net Adjustments	As restated
Impacts on interim consolidated statement of loss:						
Revenue	$43,092	$-	$43,092	$71,204	$ -	$71,204
Production and processing costs	26,670	-	26,670	51,049	(3,837)	47,212
Royalty expense	3,321	-	3,321	5,869	-	5,869
General and administrative	1,914	-	1,914	10,811	-	10,811
Depreciation and amortization	1,985	1,123	3,108	3,534	1,523	5,057
Operating earnings (loss)	9,202	(1,123)	8,079	(59)	2,314	2,255
Other expenses	(9,636)	-	(9,636)	(19,737)	-	(19,737)
Loss before income taxes	(434)	(1,123)	(1,557)	(19,796)	2,314	(17,482)
Income tax recovery	179	-	179	75	-	75
Net loss for the period	($255)	($1,123)	($1,378)	($19,721)	$2,314	($17,407)
Impacts on interim consolidated statement of cash flow:						
Cash flow provided by (used in) operations	$2,071	$-	$2,071	($9,777)	$3,837	($5,940)
Cash flow used in investing activities	(4,221)	-	(4,221)	(35,375)	(3,837)	(39,212)
Cash flow provided by financing activities	18,077	-	18,077	68,583	-	68,583
Change in cash and cash equivalents	$15,927	$-	$15,927	$23,431	$-	$23,431

31. SUBSEQUENT EVENT

The first quarter of 2020 was marked by the severity of the coronavirus global outbreak. The extent and duration of impacts that the coronavirus may have on the Corporation’s operations including suppliers, service providers, employees and on global financial markets is not known at this time but could be material. The SLM and HGO sites are still operating but the Corporation is monitoring developments in order to be in a position to take appropriate actions as needed.