

RNC MINERALS CORP.

RNC Ends 2019 with Solid Production and Strong Cash Position

EVENT

RNC Minerals announced Q4/19 consolidated gold production of 26,874 oz and H2/19 production of 51,090 oz, exceeding company guidance of 42,000 to 49,000 oz. Full year 2019 production was 64,277 oz. It also noted that it ended the year with a cash balance of \$34MM. RNC also reported that the Australian wildfires led to minor disruptions in ore haulage from Beta Hunt due to road closures in the region but ore supply from Beta Hunt and the delivery of reagents to the mill has been restored. Overall the impact of the fires is not expected to have any material impact on Q1/20 production.

BOTTOM LINE

Positive: The solid Q4/19 marks a positive finish to a transitional year for RNC. With Q4/19 production hitting 26,874 oz, we see RNC well-positioned to produce 100koz annually going forward with additional upside from high grade specimen gold discoveries. Our Buy rating and \$1.00 per share target remains unchanged.

HIGHLIGHTS

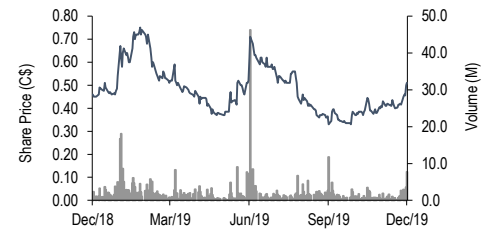
- **Transitional Gold Producer:** Gold production from its Beta Hunt Mine and Higginsville Gold Operation is moving towards 100koz annually with upside from high grade specimen gold discoveries.
- **High Grade Gold at Beta Hunt:** Beta Hunt is known to produce ultra high-grade specimen gold. With a proven exploration model we expect further discoveries of these high grade pods on a regular basis.
- **Higginsville Open:** The Higginsville ground remains highly prospective with a 1.9Moz historic resource that should add several new sources of mill feed from low-cost open pits
- **Near-Term Catalysts Include:** i) Production and cost guidance for 2020 (Q1/20); ii) exploration results (ongoing).

Recommendation:	BUY
Symbol/Exchange:	RNX-TSX
Sector:	Metals & Mining
<i>All dollar values in C\$ unless otherwise noted.</i>	
Current price:	\$0.51
One-year target:	\$1.00
Target return:	96%
52-week Range:	\$0.33 - \$0.79

Financial Summary

Market Cap (\$M)	\$309.3
Cash on hand (\$M)	\$34.0
Debt (\$M)	\$31.2
Basic Shares O/S (M)	606.5
Fully Diluted Shares O/S (M)	642.1
Avg. Weekly Volume (k)	2,797

	2018A	2019E	2020E	2021E
Gold Produced (koz)	51.6	43.7	72.8	73.4
Cash Cost (US\$/oz)	\$1,081	\$1,168	\$857	\$890
AISC (US\$/oz)	\$1,341	\$1,372	\$919	\$941
EPS	(\$0.02)	(\$0.03)	\$0.09	\$0.08
CFPS	(\$0.02)	(\$0.02)	\$0.09	\$0.08
Free CFPS	(\$0.04)	(\$0.08)	\$0.08	\$0.08
Dividend/shr	N/A	N/A	N/A	N/A



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

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

2019 PRODUCTION RESULTS

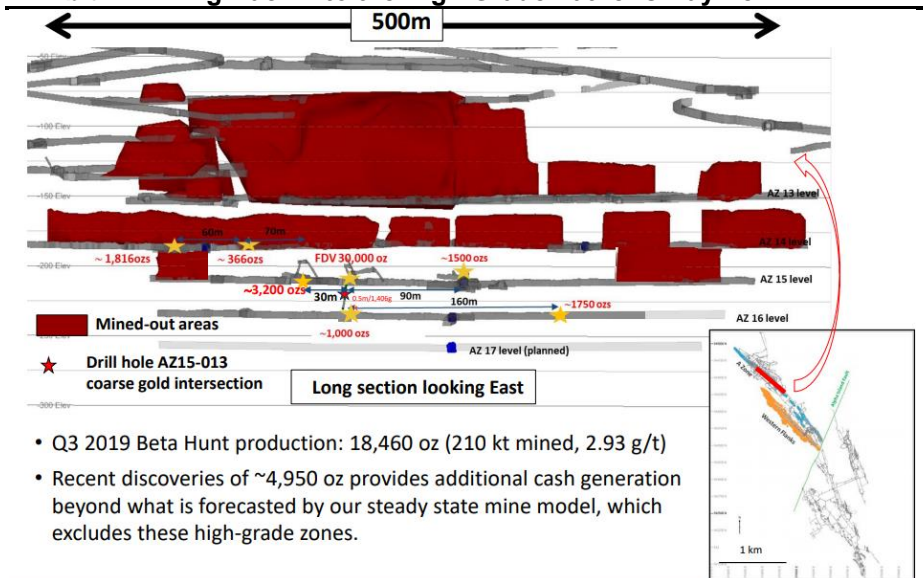
RNC Minerals announced Q4/19 consolidated gold production from its Beta Hunt and Higginsville Gold operations of 26,874 oz and H2/19 production of 51,090 oz, exceeding company guidance of 42,000 to 49,000 oz. Full year 2019 production came in at 64,277 oz. Recall that 2019 was a transitional year for RNC with an initial slow-down of production at Beta Hunt to focus on exploration and development and the acquisition of the Higginsville Gold Operation (HGO) which brought additional sources of gold production and an in-house milling solution. With Q4/19 production hitting 26,874 oz, we see RNC well-positioned to produce 100koz annually going forward with additional upside from high grade specimen gold discoveries. The Company is expected to provide 2020 annual production and cost guidance to investors in the coming weeks.

LOOKING AHEAD

Impact of Australian Wildfires: RNC reported that they have experienced minor disruptions in ore haulage from Beta Hunt due to road closures in the region but continued to process ROM stockpiles and Baloo material throughout the period. Ore supply from Beta Hunt and the delivery of reagents to the mill has been restored and the mill is reported to be operating at full capacity with feed from both sites. Overall the impact of the fires on HGO is not expected to have any material impact on Q1/20 production.

Mining Operations: Mining at Beta Hunt is moving into the coarse gold-bearing Father’s Day vein area which could add a significant bump to gold production in Q1/2020. Recall that last year this area produced 25koz of gold from just 130t of material.

Exhibit 1: Mining Back into the High Grade Father’s Day Vein



Source: RNC Minerals

At Higginsville, Baloo Stage 1 mining is expected to extend into the Q1/20 to be followed by a second permitted open pit. Permitting for Baloo Stage 2 remains

on track and should be added to the mine plan in 2020 at similar grades to current mining. Near-term drilling is expected to target some of the existing 1.9Moz historic resource close to the Higginsville mill.

VALUATION AND TARGET

We are maintaining our Buy recommendation and 52-week target price of \$1.00 per share. Our valuation methodology remains an equally weighted target multiple of 1.0x NAVPS_{5%} and an 8.0x 2020e P/CF multiple. RNC Minerals currently trades at a P/NAV of 0.5x versus the peer average of 0.8x and at 4.3x 2020E CF compared to peers at 5.2x.

RNC Minerals Corp. - Summary Sheet

Rating	BUY	Basic Shares (MM)	606.3	Cantor Fitzgerald
Target Price	\$1.00	Diluted Shares (ITM / FD) (MM)	642.1	Matthew O'Keefe
Share Price	\$0.51	Basic Mkt Basic Mkt Cap (C\$MM)	309.3	416-849-5004
Potential Return	96%	Enterprise Value (C\$MM)	306.6	matthew.o.keefe@cantor.com

BALANCE SHEET					
C\$MM, Jun30.YE	2018A	2019E	2020E	2021E	2022E
Assets					
Cash	1.3	30.3	80.4	126.8	175.3
Other Current Assets	11.0	27.4	27.4	27.4	27.4
Current Assets	11.0	57.7	107.8	154.2	202.7
Non-current Assets	47.1	115.4	119.1	121.1	122.8
Total Assets	58.0	173.1	226.9	275.3	325.4
Liabilities					
Current Liabilities	29.9	40.2	40.2	40.2	40.2
Long Term Debt	0.3	24.1	24.1	24.1	24.1
Other Liabilities	1.6	22.4	22.4	22.4	22.4
Total Liabilities	31.9	86.7	86.7	86.7	86.7
Shareholder Equity	26.1	86.6	140.3	188.8	238.9

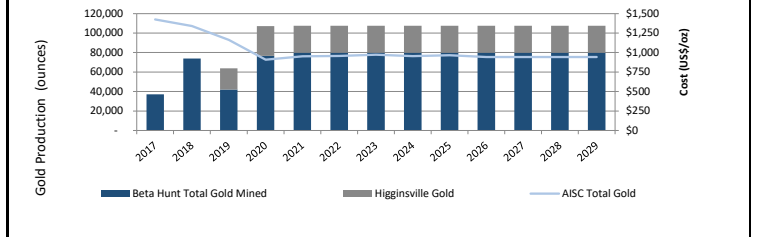
INCOME STATEMENT					
C\$MM, Jun30.YE	2018A	2019E	2020E	2021E	2022E
Total Revenue	128.8	111.2	200.5	199.5	204.2
Operating Costs	101.7	91.6	116.7	121.2	122.1
G&A	7.3	12.9	13.0	13.0	13.0
Exploration	-	-	-	-	1.0
Other	-	9.6	-	-	-
EBITDA	20.7	8.2	70.8	65.2	69.1
Depreciation	7.9	4.0	2.4	2.9	3.4
Unusual/Other Items	15.7	13.6	2.4	2.9	4.4
EBIT	12.9	(1.4)	70.8	65.2	68.1
Interest Expense	-	-	-	-	-
EBT	(0.7)	14.0	56.8	56.0	59.9
Taxes	(0.5)	(1.1)	(17.0)	(16.8)	(18.0)
Other	(9.8)	(32.5)	(20.1)	(24.4)	(27.7)
Net Income (Reported)	(10.0)	(17.4)	53.7	48.4	50.1
Net Income (Adjusted)	(10.0)	(17.4)	53.7	48.4	50.1
EPS (Adjusted) (\$/sh)	\$ (0.02)	\$ (0.03)	\$ 0.09	\$ 0.08	\$ 0.08
Average shares (MM)	446.3	606.5	606.5	606.5	606.5

CASH FLOW STATEMENT					
C\$MM, Jun30.YE	2018A	2019E	2020E	2021E	2022E
Cash Flow from Operations					
Net Income	(10.0)	(17.4)	53.7	48.4	50.1
Non-Cash Items	8.0	4.1	2.4	2.9	3.4
WC changes	-	(4.2)	-	-	-
Total CF Operations	(8.3)	(12.7)	56.1	51.4	53.5
CF Operations(\$/sh)	\$ (0.02)	\$ (0.02)	\$ 0.09	\$ 0.08	\$ 0.09
Cash Flow from Investing					
Capital Expenditures	(10.5)	(34.9)	(6.0)	(5.0)	(5.0)
Other Investments	(8.5)	(2.5)	-	-	-
Total CF Investing	(18.9)	(37.4)	(6.0)	(5.0)	(5.0)
Cash Flow from Financing					
Debt Financing	3.9	36.7	-	-	-
Equity Financing	1.6	36.4	-	-	-
Options & Warrants	12.0	2.5	-	-	-
Repayments & Costs	(9.1)	(6.6)	-	-	-
Total CF Financing	4.2	68.6	-	-	-
Change In Cash	(23.1)	29.0	50.1	46.4	48.5
Free Cash Flow	(18.8)	(47.6)	50.1	46.4	48.5

VALUATION DATA					
	2018A	2019E	2020E	2021E	2022E
P/E	NM	NM	5.8x	6.4x	6.2x
P/CF	NM	NM	5.5x	6.0x	5.8x
P/NAV		0.51x			
EV/EBITDA	14.8x	37.3x	4.3x	4.7x	4.4x
FCF Yield	NM	NM	0.2x	15%	16%
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

RESOURCE SUMMARY							
	Beta Hunt			Higginsville			Total
	Mt	Grade (g/t)	Gold (oz)	Mt	Grade (g/t)	Gold (oz)	(oz)
M&I	10.1	2.9	944,000	19.1	2.0	1,242,000	2,186,000
Inferred	4.1	3.1	406,000	10.6	2.0	682,000	1,088,000
M&I+I	14.2	3.0	1,350,000	29.7	2.0	1,924,000	3,274,000
Dumont Nickel	Mt	Ni (%)	Co (%)	Ni (Mlbs)	Co (Mlbs)	NiEq%	NiEq (kt)
Reserves (P&P)	1,028	0.27	0.011	6,082	243	0.30	6,690
M&I Resource	1,666	0.27	0.011	9,750	394	0.29	10,735
Inferred	500	0.26	0.010	2,862	112	0.29	3,142
Total M&I+I	2,165	0.26	0.011	12,612	506	0.29	13,877

OPERATING STATISTICS						
		2018A	2019E	2020E	2021E	2022E
Production						
Average Throughput	(tpd)	1,422	1,978	3,400	3,500	3,500
Average Gold Grade	(g/t)	1.4	2.8	2.6	2.5	2.6
Total Gold Produced	(oz)	73,801	64,277	103,382	101,149	103,544
AISC Gold Produced	(US\$/oz)	1,341	1,372	919	941	917



PROJECT SUMMARY - Dumont Nickel (100% Basis; 30+ year Project)			
	2013 DFS	Cantor	
Production			
Throughput (ktpd)	52.5 - 105	52.5 - 105	
Ni (Mlbs/yr)	84.1	89	
C1 Costs Net (US\$/lb)	4.30	3.11	
Capital Expenditures			
Upfront (\$M)	1,268	1,283	
Expansion (\$M)	997	983	
Sustaining (\$M)	823	813	
Economics			
NPV8% (US\$M)	\$1,137	1,331	
IRR (%)	15.9%	18.5%	

NET ASSET VALUE		Target Price Breakdown			
Asset	Valuation (NAV (\$M))	\$/Share	NAV Valuation		
Beta Hunt	1.0x DCF5%	343.6	\$0.56	Per share	Multiple
HGO	1.0x DCF5%	154.3	0.25	Mining Assets	\$0.99 1.0x \$0.99
Dumont (28%)	0.25x DCF8%	93.1	\$0.17	Financial	\$0.00 1.0x \$0.00
Total Mining Assets		604	\$0.99	Total	\$1.00
Pro-Forma WC		34	\$0.06	Target Weightings	
Debt		(31)	-\$0.05	NAV	50% \$0.50
Net Financial Assets		3	\$0.00	P/CF (FTM)	50% \$0.46
Total		\$607	\$1.00	TARGET PRICE	\$1.00

INPUT PRICES					
	2018E	2019E	2020E	2021E	2022E
Gold (US\$/oz)	1,268	1,365	1,475	1,500	1,500
Nickel (\$US/lb)	5.00	6.50	7.00	7.50	8.00
Cobalt	35	20	30	30	35
Platinum	900	900	900	900	900
Palladium	1,400	1,400	1,400	1,400	1,400
Key Currencies					
CDN:USD	0.75	0.76	0.76	0.76	0.78

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

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