



# Management Discussion and Analysis

**Second Quarter 2018 Results**

**July 26, 2018**

[www.oceanagold.com](http://www.oceanagold.com)

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION IN MANAGEMENT DISCUSSION & ANALYSIS

This Management Discussion & Analysis contains “forward-looking statements and information” within the meaning of applicable securities laws which may include, but is not limited to, statements with respect to the future financial and operating performance of the Company, its subsidiaries and affiliated companies, its mining projects, the future price of gold, the estimation of mineral reserves and mineral resources, the realisation of mineral reserve and resource estimates, costs of production, estimates of initial capital, sustaining capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of the development of new mines, costs and timing of future exploration and drilling programs, timing of filing of updated technical information, anticipated production amounts, requirements for additional capital, governmental regulation of mining operations and exploration operations, timing and receipt of approvals, consents and permits under applicable mineral legislation, environmental risks, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters. Often, but not always, forward-looking statements and information can be identified by the use of words such as “may”, “plans”, “expects”, “projects”, “is expected”, “budget”, “scheduled”, “potential”, “estimates”, “forecasts”, “intends”, “targets”, “aims”, “anticipates” or “believes” or variations (including negative variations) of such words and phrases, or may be identified by statements to the effect that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward-looking statements and information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and/or its subsidiaries and/or its affiliated companies to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, future prices of gold; general business, economic and market factors (including changes in global, national or regional financial, credit, currency or securities markets), changes or developments in global, national or regional political and social conditions; changes in laws (including tax laws) and changes in GAAP or regulatory accounting requirements; the actual results of current production, development and/or exploration activities; conclusions of economic evaluations and studies; fluctuations in the value of the United States dollar relative to the Canadian dollar, the Australian dollar, the Philippines Peso or the New Zealand dollar; changes in project parameters as plans continue to be refined; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; political instability or insurrection or war; labour force availability and turnover; adverse judicial decisions, delays in obtaining financing or governmental approvals or in the completion of development or construction activities or in the commencement of operations; as well as those factors discussed in the section entitled “Risk Factors” contained in the Company’s Annual Information Form in respect of its fiscal year-ended December 31, 2017, which is available on SEDAR at [www.sedar.com](http://www.sedar.com) under the Company’s name. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and information, there may be other factors that cause actual results, performance, achievements or events to differ from those anticipated, estimated or intended. Also, many of the factors are outside or beyond the control of the Company, its officers, employees, agents or associates. Forward-looking statements and information contained herein are made as of the date of this Management Discussion & Analysis and, subject to applicable securities laws, the Company disclaims any obligation to update any forward-looking statements and information, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements and information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements and information due to the inherent uncertainty therein. All forward-looking statements and information made herein are qualified by this cautionary statement. This Management Discussion & Analysis may use the terms “Measured”, “Indicated” and “Inferred” Resources. U.S. investors are advised that while such terms are recognised and required by Canadian regulations, the Securities and Exchange Commission does not recognise them. “Inferred Resources” have a great amount of uncertainty as to their existence and as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Resources will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Resources may not form the basis of feasibility or other economic studies. U.S. investors are cautioned not to assume that all or any part of Measured or Indicated Resources will ever be converted into reserves. U.S. investors are also cautioned not to assume that all or any part of an Inferred Resource exists, or is economically or legally mineable. This document does not constitute an offer of securities for sale in the United States or to any person that is, or is acting for the account or benefit of, any U.S. person (as defined in Regulation S under the United States Securities Act of 1933, as amended (the “Securities Act”)) (“U.S. Person”), or in any other jurisdiction in which such an offer would be unlawful.

### TECHNICAL DISCLOSURE

For further scientific and technical information (including disclosure regarding mineral resources and mineral reserves) relating to the Haile Project, the Waihi mine, the Macraes mine and the Didipio mine please refer to the NI 43-101 compliant technical reports available at [sedar.com](http://sedar.com) under the Company’s name.

The exploration results were prepared in accordance with the standards set out in the 2012 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’ (“JORC Code”) and in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators (“NI 43-101”). The JORC Code is the accepted reporting standard for the Australian Stock Exchange Limited (“ASX”). Information relating to Waihi exploration results in this document has been verified by, is based on and fairly represents information compiled by or prepared under the supervision of Lorraine Torckler, a Fellow of the Australasian Institute of Mining and Metallurgy and an employee of OceanaGold. Mr Torckler has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the JORC Code and is a Qualified Persons for the purposes of the NI 43 101. Mr Torckler consents to the inclusion in this public report of the matters based on their information in the form and context in which it appears

Mr Craig Feebrey, Executive Vice President and Head of Exploration of the Company, a qualified person under NI 43-101, has approved the written disclosure of all other scientific and technical information contained in this MD&A.

## Highlights

- Achieved an annualised return on invested capital (“ROIC”) of 10.1%, being the 33<sup>rd</sup> consecutive quarter of positive ROIC going back to 2010.
- First half net profit of \$89.1 million; \$44.6 million during the second quarter.
- Increased cash balance 45% quarter-on-quarter to \$128.9 million with immediate liquidity of \$148.9 million, excluding \$61.7 million of marketable securities held as strategic investments.
- Subsequent to the quarter end, declared an ordinary semi-annual dividend payment of \$0.02 per common share or CDI reflecting continued strong performance.
- Reduced net debt to \$103.9 million for the second quarter compared to \$248.1 million during the same period in 2017.
- First half of 2018 consolidated production of 268,597 ounces of gold and 7,808 tonnes of copper, including 142,950 ounces of gold and 3,919 tonnes of copper in the second quarter.
- First half consolidated All-In Sustaining Costs of \$744 per ounce on sales of 266,421 ounces of gold and 7,172 tonnes of copper.
- Second quarter consolidated All-In Sustaining Costs of \$696 per ounce on sales of 138,948 ounces of gold and 3,979 tonnes of copper.
- Amended Revolving Credit Facility by extending the tenure to 2020, revising financial covenants and reducing average margin.
- Significant drill results from the Martha Project at Waihi to further support 10-year mine life extension.
- Significant drill results at regional target WKP that could provide additional high-grade feed to Waihi.

| <b>Period ended 30 June<br/>(US\$m)</b>                                 | <b>Q2 2018</b> | <b>YTD 2018</b> |
|---|----------------|-----------------|
| Gold Production (koz.)  | <b>143.0</b>   | <b>268.6</b>    |
| Copper Production (kt.)   | <b>3.9</b>     | <b>7.8</b>      |
| All-In Sustaining Costs (\$/oz.)  | <b>696</b>     | <b>744</b>      |
| Revenue   | <b>205.7</b>   | <b>402.4</b>    |
| EBITDA (excluding gain/(loss) on undesignated hedges)                   | <b>109.7</b>   | <b>210.6</b>    |
| Earnings after income tax and before gain/(loss) on undesignated hedges | <b>47.7</b>    | <b>86.3</b>     |
| Net Profit  | <b>44.6</b>    | <b>89.1</b>     |
| Basic earnings per share (\$)   | <b>\$0.07</b>  | <b>\$0.14</b>   |
| Diluted earnings per share (\$)   | <b>\$0.07</b>  | <b>\$0.14</b>   |
| Net operating cash flow   | <b>109.0</b>   | <b>186.1</b>    |

Notes:

- All numbers in this document are expressed in USD unless otherwise stated.
- Cash Costs, All-In Sustaining Costs, All-In Sustaining Margin, EBITDA and liquidity are non-GAAP measures. Refer to page 29 for explanation of non-GAAP measures.
- Cash Costs and All-In Sustaining Costs are reported on ounces sold and net of by-product credits unless otherwise stated.
- All-In Sustaining Costs are based on the methodology outlined by the World Gold Council. Capital costs associated with expansionary growth are excluded from this calculation.
- The Company’s consolidated financial statements for the quarter ended March 31, 2018 include adjustment on the adoption of IFRS 15 (Revenue from contracts with customers) effective from January 1, 2018. In this Management Discussion and Analysis report, these adjustments have not been reflected in the operating and physical data and site financial results as these have already been reflected in the quarter ended December 31, 2017.

# Results for the second quarter ended June 30, 2018

## Health and Safety

For the first half of 2018, the Company incurred a total recordable injury frequency rate (“TRIFR”) of 5.00 per million hours worked, down slightly compared to 5.04 for the first quarter. Disappointingly, the TRIFR was up from 3.74 for the same period in 2017 following a higher number of medically treated and restricted work injuries associated with sprains, strains and finger lacerations. Although these injuries are considered to have lower potential consequences, the Company remains committed to its focus on reducing all injuries. Specific work being undertaken at Macraes, Didipio and at Haile includes senior management refocusing on principle hazard identification and control as well as maintaining positive employee engagement to develop a strong behavioural based safety culture.

The Company will continue to provide coaching and support to all personnel, with a specific focus at the Haile and Macraes operations as they implement their employee engagement programs aimed at improvements to the quality of their safety leadership interactions. Additionally, the Company will work to support the Didipio operations as it continues its full transition to an underground mining operation.

## Operational and Financial Overview

Consolidated gold production for the first half of 2018 was 268,597 ounces of gold, including 142,950 ounces for the second quarter. Consolidated production for the first half of 2018 was broadly-in line with production for the first half of 2017 with stronger production from Haile and Macraes, partially offset by lower production from Didipio and Waihi. Production for the second quarter of 2018 was up 15% compared to the second quarter of 2017 as stronger production from Haile and Macraes more than offset lower production from Didipio and Waihi.

Year to date, copper production was 7,808 tonnes, including 3,919 tonnes during the second quarter. Silver production for the first half was 249,505 ounces.

For the first half of 2018, the Company recorded All-In Sustaining Costs (“AISC”) of \$744 per ounce on sales of 266,421 ounces of gold and 7,172 tonnes of copper, reflecting an increase from the same period in 2017 due to changes in the composition of sales volumes, particularly at Didipio where sales were down 40% and as Haile’s revenue and costs were recognised rather than capitalised. First half revenue was \$402.4 million with an EBITDA of \$210.6 million and a net profit of \$89.1 million. Second quarter revenue was \$205.7 million with an EBITDA of \$109.7 million and net profit of \$44.6 million. The Company continued to deliver consistent, solid margins with an EBITDA margin of 52.3% for the first half of 2018 and 53.3% achieved in the second quarter.

As at June 30, 2018 continuing to build on its already strong record of responsible stewardship of capital, the Company achieved an annualised return on invested capital (“ROIC”) of 10.1%. This is an impressive 33<sup>rd</sup> consecutive quarter of positive ROIC returns since 2010.

For the first half 2018, the Company’s cash balance was \$128.9 million, up nearly 60% from the same period in 2017 and up 45% from \$89.1 million at the end of the first quarter 2018. The cash balance excludes \$61.7 million in marketable securities. Total available liquidity increased to \$148.9 million.

For the first half of 2018, the Company generated significant adjusted free cash flow of \$201.5 million, up 16% compared to the same period in 2017. This reflects the strong cash flow generation across all operations.

During the quarter, the Company amended its Revolving Credit Facility, extending the tenure for an additional 12 months until 2020 while revising several financial covenants and lowering the average margin. The amended debt facility amortisation schedule now includes a facility step-down of \$50 million on 31 December 2019 and a final step-down of \$150 million on 31 December 2020. Cash flows generated by the operations are forecast to be more than sufficient to meet all debt obligations.

As at June 30, 2018, the Company's credit facilities totalled \$220 million of which \$200 million was drawn. Total debt including equipment leases was \$232.9 million. The Company reduced its net debt to \$104.0 million at the end of the second quarter compared to \$248.1 million during the same period in 2017.

The Company's hedging programs include New Zealand dollar denominated gold put and call options and U.S. dollar copper price hedges. In 2017, the Company entered into a copper swap price arrangement covering approximately 80% of its forecast 2018 copper production at a swap price of \$3.19/lb.

The hedging program is summarised below:

| Put Option Strike Price | Call Option Strike Price | Gold Ounces Remaining | Expiry Date |
|-------------------------|--------------------------|-----------------------|-------------|
| NZ\$1,750               | NZ\$1,938                | 72,000                | Dec 2018    |

At the end of the quarter, 6,000 tonnes of the 2018 copper production remained hedged.

| Quarter ended 30 Jun 2018 | Swap Price USD/lb | Copper Tonnes Remaining | Expiry Date |
|---------------------------|-------------------|-------------------------|-------------|
| Copper                    | 3.19              | 6,000                   | Dec 2018    |

A summary of the marked to market value of derivatives is as per below.

| Quarter ended 30 Jun 2018<br>(US\$m) | Hedge  | Jun 30 2018 | Dec 31 2017  |
|--------------------------------------|--------|-------------|--------------|
| Current Assets                       | Copper | 2.5         | -            |
| Current Liabilities                  | Gold   | (0.3)       | (0.9)        |
| Current Liabilities                  | Copper | -           | (2.8)        |
| <b>Total</b>                         |        | <b>2.2</b>  | <b>(3.7)</b> |

## Capital Expenditure

Group capital expenditure for the first half of 2018 totalled \$107.6 million, including \$55.1 million in the second quarter with much of this being sustaining capital which is included in the AISC calculation. During the quarter, the Company continued development of panel two of the Didipio underground while advancing other organic growth opportunities including the installation of the pebble crusher at Haile and the Martha Project at Waihi.

Capital and exploration expenditure are summarised in the following table:

| Quarter ended 30 Jun 2018<br>(US\$m)       | Q2<br>30 Jun 2018 | Q1<br>31 Mar 2018 | Q2<br>30 Jun 2017 | 2018<br>Guidance |
|--|-------------------|-------------------|-------------------|------------------|
| General Operations and Corporate Capital   | 6.1               | 4.8               | 6.8               | 20 – 27          |
| Growth Capital <sup>(1)</sup>              | 21.3              | 20.0              | 19.8              | 102 – 116        |
| Pre-strip and Capitalised Mining           | 20.2              | 20.9              | 35.4              | 64 - 78          |
| Exploration                                | 7.5               | 6.8               | 8.4               | 24 - 34          |
| <b>Capital and exploration expenditure</b> | <b>55.1</b>       | <b>52.5</b>       | <b>70.4</b>       | <b>210 - 255</b> |

(1) 2017 Growth Capital figure is net of capitalised revenue associated with gold sales from Haile prior to commercial production.

Looking to the remainder of 2018, the Company expects total capital expenditure to be within guided ranges, as pre-stripping activities at Macraes and Haile are expected to be largely completed by the end of the third quarter of 2018. Growth projects, while weighted toward the second half, are also progressing according to plan.

Capital and exploration expenditure by site are summarised in the following table:

| Quarter ended 30 Jun 2018<br>(US\$m)       | Haile       | Didipio     | Waihi       | Macraes     |
|--|-------------|-------------|-------------|-------------|
| General Operations and Corporate Capital   | 1.5         | 0.5         | 2.2         | 1.9         |
| Growth Capital                             | 8.7         | 6.4         | 4.6         | 0.5         |
| Pre-strip and Capitalised Mining           | 6.4         | 0.5         | 0.9         | 12.4        |
| Exploration                                | 1.6         | 0.0         | 4.4         | 1.3         |
| <b>Capital and exploration expenditure</b> | <b>18.1</b> | <b>7.4</b>  | <b>12.2</b> | <b>16.1</b> |
| Year to date 30 Jun 2018<br>(US\$m)        | Haile       | Didipio     | Waihi       | Macraes     |
| General Operations and Corporate Capital   | 4.7         | 0.7         | 2.9         | 2.5         |
| Growth Capital                             | 13.1        | 18.4        | 6.4         | 0.7         |
| Pre-strip and Capitalised Mining           | 14.2        | 1.2         | 2.2         | 23.7        |
| Exploration                                | 2.9         | 0.0         | 8.4         | 2.4         |
| <b>Capital and exploration expenditure</b> | <b>34.9</b> | <b>20.3</b> | <b>19.8</b> | <b>29.2</b> |

Notes:

- The Company also expects to spend approximately \$4-\$5 million of closure and rehabilitation costs at Reefion.
- Site capital expenditure includes sustaining, pre-stripping/capitalised mining and both brownfields and greenfield regional exploration. Exploration costs associated with Joint Venture agreements are not included.

## Projects

During the second quarter, mining from the underground at Didipio continued to ramp-up with two additional stopes mined and a third commenced. During the quarter, a double width stope was trialled successfully in the more competent monzonite material increasing stope width from 20 meters to 40 metres, which the Company expects will further enhance productivity while reducing underground development requirements in stronger ground.

At Waihi, the permit application for the Martha Project was lodged and community and stakeholder engagements have progressed with positive feedback from local stakeholders.

Project activities at Waihi included the continued development of the underground drill drives where drilling has been carried out at six drill locations along both the 800 RL and 920 RL drill drives. Drilling will continue from these drives for the remainder of 2018 while the Company continues to advance the permitting process for the Martha Project to increase the reserve base at Waihi.

## Income statement

To provide clarity into the underlying performance of the Company, a summary of the financial performance is provided within the following table:

| Quarter ended 30 Jun 2018<br>(US\$m)   | Q2<br>Jun 30 2018 | Q1<br>Mar 31 2018 <sup>(2)</sup> | Q2<br>Jun 30 2017 <sup>(1)</sup> | YTD<br>Jun 30 2018 | YTD<br>Jun 30 2017 |
|--|-------------------|----------------------------------|----------------------------------|--------------------|--------------------|
| Revenue  | 205.7             | 196.7                            | 171.7                            | 402.4              | 333.5              |
| Cost of sales, excluding depreciation and amortisation   | (83.8)            | (84.7)                           | (73.8)                           | (168.0)            | (130.6)            |
| General and administration – other   | (15.5)            | (12.3)                           | (14.5)                           | (27.8)             | (23.5)             |
| Foreign currency exchange gain/(loss)  | 1.3               | 0.6                              | 0.7                              | 1.9                | 0.4                |
| Gain on sale of available-for-sale assets  | -                 | -                                | -                                | -                  | 5.3                |
| Other income/(expense)   | 1.5               | 0.6                              | 0.5                              | 2.1                | 1.1                |
| <b>EBITDA (excluding gain/(loss) on undesignated hedges and impairment charge)</b>                     | <b>109.7</b>      | <b>100.9</b>                     | <b>84.6</b>                      | <b>210.6</b>       | <b>186.2</b>       |
| Depreciation and amortization  | (47.7)            | (51.4)                           | (51.2)                           | (99.1)             | (87.6)             |
| Net interest expense and finance costs   | (3.6)             | (3.8)                            | (4.3)                            | (7.3)              | (8.8)              |
| <b>Earnings before income tax (excluding gain/(loss) on undesignated hedges and impairment charge)</b> | <b>58.4</b>       | <b>45.8</b>                      | <b>29.3</b>                      | <b>104.2</b>       | <b>90.0</b>        |
| Income tax (expense) / benefit on earnings   | (10.7)            | (7.2)                            | (4.5)                            | (17.9)             | (5.8)              |
| <b>Earnings after income tax and before gain/(loss) on undesignated hedges and impairment charge</b>   | <b>47.7</b>       | <b>38.6</b>                      | <b>24.8</b>                      | <b>86.3</b>        | <b>84.2</b>        |
| Impairment charge  | -                 | -                                | -                                | -                  | (17.7)             |
| Write off deferred exploration expenditure   | (2.9)             | -                                | -                                | (2.9)              | -                  |
| Gain/(loss) on fair value of undesignated hedges   | 0.0               | 6.0                              | 1.1                              | 6.0                | (6.8)              |
| Tax (expense) / benefit on gain/loss on undesignated hedges  | (0.1)             | -                                | (0.3)                            | (0.1)              | 1.9                |
| Share of loss from equity accounted associates   | (0.1)             | (0.1)                            | (0.2)                            | (0.2)              | (0.3)              |
| <b>Net Profit</b>  | <b>44.6</b>       | <b>44.5</b>                      | <b>25.4</b>                      | <b>89.1</b>        | <b>61.4</b>        |
| Basic earnings per share   | \$0.07            | \$0.07                           | \$0.04                           | \$0.14             | \$0.10             |
| Diluted earnings per share   | \$0.07            | \$0.07                           | \$0.04                           | \$0.14             | \$0.10             |

(1) For the six months ended June 30, 2017, all revenue and costs reported did not include the Haile operations as these were capitalised as commercial production was declared effective from October 1, 2017.

(2) The Company's consolidated financial results for the quarter ended March 31, 2018 reflected adjustments on adoption of IFRS 15 effective from January 1, 2018.

In the second quarter, the Company reported revenue of \$205.7 million, EBITDA (excluding gain/loss on undesignated hedges) of \$109.7 million and net profit of \$44.6 million.

The following table provides a quarterly financial summary:

| Quarter ended 30 Jun 2018<br>(US\$m)   | Jun 30<br>2018 | Mar 31<br>2018 <sup>(1)</sup> | Dec 31<br>2017 | Sep 30<br>2017 | Jun 30<br>2017 | Mar 31<br>2017 | Dec 31<br>2016 | Sep 30<br>2016 |
|--|----------------|-------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Revenue  | 205.7          | 196.7                         | 246.1          | 144.8          | 171.7          | 161.8          | 147.4          | 150.4          |
| EBITDA (excluding gain/(loss) on undesignated hedges and impairment charge)                                | 109.7          | 100.9                         | 148.6          | 73.4           | 84.6           | 101.7          | 66.9           | 61.6           |
| Earnings after income tax and before gain/(loss) on undesignated hedges and impairment charge (net of tax) | 47.7           | 38.6                          | 93.7           | 21.4           | 24.8           | 59.5           | 31.7           | 24.5           |
| Net Profit   | 44.6           | 44.5                          | 88.6           | 21.7           | 25.4           | 36.0           | 42.6           | 30.7           |
| <b>Net Earnings per share</b>  |                |                               |                |                |                |                |                |                |
| Basic  | \$0.07         | \$0.07                        | \$0.14         | \$0.04         | \$0.04         | \$0.06         | \$0.07         | \$0.05         |
| Diluted  | \$0.07         | \$0.07                        | \$0.14         | \$0.03         | \$0.04         | \$0.06         | \$0.07         | \$0.05         |

(1) The Company's consolidated financial results for the quarter ended March 31, 2018 reflect adjustments on adoption of IFRS 15 effective from January 1, 2018.

## EBITDA

Analysis of revenue and costs for each operating site is contained within the Business Summary section of this report at page 11.

During the second quarter of 2018, consolidated EBITDA margin remained strong at 53% up from 51% during the first quarter of 2018 and up from 49% during the second quarter of 2017. The increasing margin primarily reflects increasing average gold prices but is also impacted by the composition of sales mix across operations.

## Depreciation and Amortisation

Depreciation and amortisation charges include amortisation of mine development and deferred pre-stripping costs and depreciation of plant and equipment. Depreciation and amortisation charges are mostly calculated on a unit of production basis and totalled \$47.7 million for the second quarter compared to \$51.4 million in the previous quarter mainly due to lower pre-strip amortisation in New Zealand partly offset by higher charges in line with higher gold production across all operating sites. Year-on-year, depreciation and amortisation charges for the first half of 2018 were \$99.1 million, 13% higher compared to the first half of 2017, mainly due to inclusion of charges for Haile which achieved commercial production as of October 1, 2017.

## Undesignated Hedges Gains/Losses

Unrealised gains and losses reflect the changes in the fair value adjustment of the Company's undesignated hedges which are brought to account at the end of each reporting period.

These valuation adjustments for the second quarter resulted in a \$0.4m gain on the gold hedges offset by a \$0.4m loss on the copper hedges which compared to a gain of \$6.0 million in the previous quarter.

For the first half of 2018, there was a gain of \$6.0 million on revaluation of the hedges mainly in relation to copper. For the first half of 2017, there was a loss of \$6.8 million on revaluation of the gold and fuel price hedges mainly in relation to the gold hedges.

## Taxation expense

The Company recorded an income tax expense of \$10.8 million in the second quarter mainly related to the United States and New Zealand operations. This is compared to an income tax expense of \$7.2 million in the first quarter.

For the first half of 2018, the Company recorded an income tax expense of \$18.0 million. This was higher than the tax expense of \$3.9 million for the first half of 2017 during which time the Company utilised remaining available tax losses to offset taxable income in New Zealand while Haile had not commenced commercial production.

## Cash Flows

| Quarter ended 30 Jun 2018<br>(US\$m)             | Q2<br>Jun 30 2018 | Q1<br>Mar 31 2018 | Q2<br>Jun 30 2017 | YTD<br>Jun 30 2018 | YTD<br>Jun 30 2017 |
|--|-------------------|-------------------|-------------------|--------------------|--------------------|
| Cash flows from Operating Activities             | 109.0             | 77.1              | 88.6              | 186.1              | 140.9              |
| Cash flows used in Investing Activities          | (60.0)            | (59.1)            | (71.8)            | (119.1)            | (137.7)            |
| Cash flows from / (used) in Financing Activities | (8.3)             | (4.4)             | (6.8)             | (12.7)             | 3.8                |

Cash inflows from operating activities for the second quarter of \$109.0 million were higher than the previous quarter mainly due to higher gold sales and related revenue, principally at Haile, and more favourable working capital movements.

For the first half of 2018, cash inflows from operating activities of \$186.1 million were 32% higher than for the first half of 2017 primarily due to the inclusion of Haile operating cash flows and higher average gold prices.

Cash used for investing activities of \$60.0 million in the second quarter was in-line with the previous quarter, which had included \$4.3 million invested to maintain a 15.6% equity position in GSV.

For the first half of 2018, cash used for investing activities of \$119.1 million was 14% lower than in the first half of 2017 which was mainly due to reduced growth capital spend at Haile, which was in development and commissioning during the same period in 2017.

Investing activities in the first half of 2018 included capitalised mine development and pre-stripping, sustaining capital projects and growth capital including the installation of a pebble crusher as part of the Haile expansion, continued development of the Didipio underground and advancing the Martha project at Waihi.



Cash used in financing activities for the second quarter was \$8.3 million, mainly related to \$6.2 million of dividends paid and finance lease repayments compared to net outflows of \$4.4 million in the previous quarter.

For the first half of 2018, cash used in financing activities of \$12.7 million mainly reflected dividends paid of \$6.2 million and finance lease payments. For the first half of 2017, there was cash generated from financing activities of \$3.8 million mainly due to the external debt drawdown of \$12.0 million and higher proceeds from the issue of shares.

## Dividend

Subsequent to the end of the second quarter, the Board of Directors has declared an ordinary semi-annual dividend of US\$0.02 per common share payable to shareholders of record on August 9, 2018. The dividend will be paid on September 14, 2018 and at the election of the shareholder, the Company will pay the dividend in either US Dollars, Canadian Dollars, Australian Dollars or New Zealand Dollars.

## Balance Sheet

| Quarter ended 30 Jun 2018<br>(US\$m) | Q2<br>Jun 30 2018 | Q4<br>Dec 31 2017 |
|--------------------------------------|-------------------|-------------------|
| Cash and cash equivalents            | 128.9             | 73.2              |
| Other Current Assets                 | 178.1             | 152.3             |
| Non-Current Assets                   | 1,775.2           | 1,820.3           |
| <b>Total Assets</b>                  | <b>2,082.2</b>    | <b>2,045.8</b>    |
| Current Liabilities                  | 157.2             | 225.3             |
| Non-Current Liabilities              | 372.7             | 329.6             |
| <b>Total Liabilities</b>             | <b>529.9</b>      | <b>554.9</b>      |
| <b>Total Shareholders' Equity</b>    | <b>1,552.3</b>    | <b>1,490.9</b>    |

Current assets were \$307.0 million as at June 30, 2018 compared to \$225.5 million as at December 31, 2017. increased cash and cash equivalents and the reclassification of ore stockpiles at Didipio valued at \$26.3 million from non-current assets to current assets, which are now expected to be consumed in the coming 12 months.

Non-current assets were \$1.78 billion as at June 30, 2018 compared to \$1.82 billion as at December 31, 2017. The reduction was mainly due to the reclassification of ore stocks at Didipio from non-current to current assets.

Current liabilities were \$157.2 million as at June 30, 2018 compared to \$225.3 million as at December 31, 2017 mainly due to reclassification of \$50 million of debt to non-current following the amendment to the Revolving Credit Facility and lower trade payables.

Non-current liabilities were \$372.7 million as at June 30, 2018 compared to \$329.6 million as at December 31, 2017 mainly due to the reclassification of \$50 million of external debt following facility amendment.

## Shareholders' Equity

A summary of the movement in shareholders' equity is set out below:

| Quarter ended 30 Jun 2018<br>(US\$m)      | Q2<br>Jun 30 2018 |
|---|-------------------|
| Total equity at beginning of the quarter  | 1,526.7           |
| Profit after income tax                   | 44.6              |
| Movement in other comprehensive income    | (21.0)            |
| Movement in contributed surplus           | 1.4               |
| Issue of shares                           | 0.6               |
| <b>Total equity at end of the quarter</b> | <b>1,552.3</b>    |

Shareholders' equity increased by \$25.6 million to \$1.55 billion as at June 30, 2018, mainly due to a net profit after tax of \$44.6 million. Other Comprehensive Income reflects the net changes in the fair value of available-for-sale assets and currency translation differences which arise from the translation of entities with a functional currency other than USD.

A summary of capital resources is set out below:

| Quarter ended 30 Jun 2018 | Shares Outstanding | Options and Share Rights Outstanding |
|---------------------------|--------------------|--------------------------------------|
| July 25, 2018             | 617,530,694        | 14,937,040                           |
| June 30, 2018             | 617,530,694        | 14,937,040                           |
| December 31, 2017         | 615,933,084        | 12,153,421                           |

## Debt management and liquidity

As at June 30, 2018, the cash funds held were \$128.9 million compared to \$89.1 million in the previous quarter and \$73.2 million as at December 31, 2017. The Company was in a net current asset position of \$149.8 million as at June 30, 2018.

As at June 30, 2017, the cash funds held were \$81.6 million and the Company was in a net current asset position of \$6.2 million as at June 30, 2017.

Following the credit facility amendments in the second quarter of 2018, the Company's total facilities reduced to \$220 million of which \$200 million remained drawn at June 30, 2018. The Company had immediately available liquidity of \$148.9 million with \$128.9 million in cash and \$20.0 million of undrawn credit facilities. In addition, the Company held \$61.7 million in marketable securities from strategic investments in listed junior exploration companies.

## Capital Commitments

Capital commitments relates principally to the purchase of property, plant and equipment and the development of mining assets mainly at Didipio. The Company's capital commitments as at June 30, 2018, are as follows:

| Quarter ended 30 Jun 2018<br>(US\$m) | Capital Commitments |
|--------------------------------------|---------------------|
| Within 1 year                        | 14.3                |

## Selected Annual Information

The following table provides financial data for the Company for each of the three most recently completed financial years:

| Quarter ended 30 Jun 2018<br>(US\$m)    | Q2 2018 | YTD 2018 | 2017    | 2016    | 2015    |
|---|---------|----------|---------|---------|---------|
| Revenue                                 | 205.7   | 402.4    | 724.4   | 628.6   | 508.0   |
| Net Profit after Tax                    | 44.6    | 89.1     | 171.7   | 136.5   | 53.1    |
| Net Earnings per share - Basic          | \$0.07  | \$0.14   | \$0.28  | \$0.22  | \$0.14  |
| Net Earnings per share - Diluted        | \$0.07  | \$0.14   | \$0.27  | \$0.22  | \$0.14  |
| Total assets                            | 2,082.2 | 2,082.2  | 2,045.8 | 1,915.7 | 1,543.9 |
| Total non-current financial liabilities | 221.6   | 221.6    | 176.5   | 238.0   | 187.9   |
| Cash dividends per share                | \$0.02  | \$0.02   | \$0.02  | \$0.01  | \$0.04  |

Over the period between 2015 and 2017, revenue, net profit and total assets have increased after the Company acquired the Waihi Gold Mine in New Zealand on October 30, 2015 as well as the Haile Gold Mine in South Carolina, USA with commercial production declared effective from October 1, 2017. Non-current liabilities reflected the phase of growth with the Company drawing on its debt facilities during the construction phase at Haile and the Didipio underground development. The Company expects that operating cash flows will continue to meet debt obligations.

## Business Summary

A summary of the financial performance of the operations is presented below.

| Quarter ended 30 Jun 2018             |               | Haile | Didipio | Waihi | Macraes | Consolidated            |          |
|---------------------------------------|---------------|-------|---------|-------|---------|-------------------------|----------|
|                                       |               |       |         |       |         | Q2 2018                 | Q2 2017  |
| Revenue                               | US\$m         | 56.4  | 60.0    | 26.6  | 62.7    | <b>205.7</b>            | 171.7    |
| EBITDA <sup>(1)</sup>                 | US\$m         | 43.4  | 25.1    | 12.6  | 35.8    | <b>109.7</b>            | 84.6     |
| Operating Costs <sup>(2)</sup>        | US\$m         | 12.2  | 30.9    | 14.5  | 25.7    | <b>83.3</b>             | 73.8     |
| Mining Cost (Open Pit) <sup>(3)</sup> | US\$/t mined  | 2.44  | 11.64   | -     | 1.25    | <b>1.79</b>             | 1.82     |
| Mining Cost (U/G)                     | US\$/t mined  | -     | 45.06   | 62.57 | 40.78   | <b>47.47</b>            | 39.45    |
| Processing Cost                       | US\$/t milled | 13.84 | 6.07    | 30.98 | 7.35    | <b>9.23</b>             | 9.47     |
| Site G&A Cost                         | US\$/t milled | 5.57  | 6.17    | 21.1  | 1.73    | <b>4.60</b>             | 4.82     |
| Year-to-Date 30 Jun 2018              |               | Haile | Didipio | Waihi | Macraes | Consolidated            |          |
|                                       |               |       |         |       |         | YTD 2018 <sup>(4)</sup> | YTD 2017 |
| Revenue                               | US\$m         | 100.5 | 122.2   | 55.2  | 119.0   | <b>402.4</b>            | 333.5    |
| EBITDA <sup>(1)</sup>                 | US\$m         | 70.9  | 63.4    | 26.5  | 62.8    | <b>210.6</b>            | 186.2    |
| Operating Costs <sup>(2)</sup>        | US\$m         | 28.0  | 54.3    | 29.1  | 53.6    | <b>168.0</b>            | 130.6    |
| Mining Cost (Open Pit) <sup>(5)</sup> | US\$/t mined  | 2.47  | 16.96   | -     | 1.21    | <b>1.72</b>             | 1.66     |
| Mining Cost (U/G) <sup>(6)</sup>      | US\$/t mined  | -     | 43.60   | 65.97 | 43.23   | <b>48.95</b>            | 40.87    |
| Processing Cost                       | US\$/t milled | 14.58 | 6.24    | 32.28 | 7.67    | <b>9.42</b>             | 8.69     |
| Site G&A Cost                         | US\$/t milled | 5.97  | 5.85    | 23.00 | 1.80    | <b>4.62</b>             | 4.76     |

(1) This represents the segment result for EBITDA (excluding unrealized hedge gains/losses) related to operations only.

(2) Direct cash cost of production for operations only, excludes royalties, selling and refining costs, depreciation and amortisation.

(3) Mining unit costs are inclusive of pre-strip and capitalized underground mining development

(4) The Company's consolidated financial results for the quarter ended March 31, 2018 reflect adjustments on adoption of IFRS 15 effective from January 1, 2018. Please refer to page 31 for further information.

(5) Didipio open pit mining costs in the first quarter included works required to install and maintain life of mine infrastructure.

(6) During the first quarter 2018, Didipio underground mining primarily consisted of ore and waste development plus commissioning of the stoping sequence and therefore does not provide an indicative stoping unit cost.

A summary of the operational performance of the operations is presented below.

| Quarter ended 30 Jun 2018 |          | Haile | Didipio | Waihi | Macraes | Consolidated |         |
|---------------------------|----------|-------|---------|-------|---------|--------------|---------|
|                           |          |       |         |       |         | Q2 2018      | Q2 2017 |
| Gold Produced             | koz.     | 38.6  | 33.1    | 20.8  | 50.4    | <b>143.0</b> | 124.4   |
| Gold Sales                | koz.     | 42.9  | 27.9    | 19.9  | 48.2    | <b>138.9</b> | 129.8   |
| Average Gold Price        | US\$/oz. | 1,300 | 1,260   | 1,301 | 1,302   | <b>1,293</b> | 1,262   |
| Copper Produced           | kt.      | -     | 3.9     | -     | -       | <b>3.9</b>   | 4.3     |
| Copper Sales              | kt.      | -     | 4.0     | -     | -       | <b>4.0</b>   | 5.8     |
| Average Copper Price      | US\$/lb. | -     | 3.12    | -     | -       | <b>3.12</b>  | 2.45    |
| Total Ore Mined           | kt       | 968   | 520     | 115   | 1,196   | <b>2,799</b> | 3,135   |
| Tonnes Processed          | kt       | 627   | 912     | 117   | 1,478   | <b>3,134</b> | 2,949   |
| Gold Grade Processed      | g/t      | 2.34  | 1.25    | 6.27  | 1.22    | <b>1.64</b>  | 1.66    |
| Recovery                  | %        | 81.9  | 90.1    | 88.1  | 86.7    | <b>86.7</b>  | 80.1    |
| Cash Costs                | US\$/oz. | 276   | 214     | 697   | 535     | <b>414</b>   | 399     |
| All-In Sustaining Costs   | US\$/oz. | 573   | 365     | 885   | 920     | <b>696</b>   | 681     |

| Year to date 30 Jun 2018 |          | Haile | Didipio | Waihi | Macraes | Consolidated |          |
|--------------------------|----------|-------|---------|-------|---------|--------------|----------|
|                          |          |       |         |       |         | YTD 2018     | YTD 2017 |
| Gold Produced            | koz.     | 75.7  | 58.8    | 39.3  | 94.8    | <b>268.6</b> | 272.4    |
| Gold Sales               | koz.     | 75.5  | 59.5    | 40.9  | 90.5    | <b>266.4</b> | 256.0    |
| Average Gold Price       | US\$/oz. | 1,315 | 1,317   | 1,314 | 1,315   | <b>1,315</b> | 1,244    |
| Copper Produced          | kt.      | -     | 7.8     | -     | -       | <b>7.8</b>   | 10.3     |
| Copper Sales             | kt.      | -     | 7.2     | -     | -       | <b>7.2</b>   | 10.0     |
| Average Copper Price     | US\$/lb. | -     | 3.06    | -     | -       | <b>3.06</b>  | 2.57     |
| Total Ore Mined          | kt       | 1,777 | 626     | 207   | 2,278   | <b>4,889</b> | 7,450    |
| Tonnes processed         | kt       | 1,131 | 1,864   | 208   | 2,923   | <b>6,126</b> | 5,791    |
| Gold grade processed     | g/t      | 2.53  | 1.09    | 6.59  | 1.17    | <b>1.58</b>  | 1.75     |
| Recovery                 | %        | 82.1  | 89.3    | 89.5  | 85.9    | <b>86.5</b>  | 82.1     |
| Cash Costs               | US\$/oz. | 365   | 167     | 680   | 595     | <b>445</b>   | 351      |
| All-In Sustaining Costs  | US\$/oz. | 737   | 294     | 854   | 1,002   | <b>744</b>   | 599      |

A reconciliation of Cash Costs and All-In Sustaining Costs is presented below.

| Quarter ended 30 Jun 2018   |                 | Q2            | Q1          | Q2          | YTD           | YTD          |
|---|-----------------|---------------|-------------|-------------|---------------|--------------|
|   |                 | Jun 30 2018   | Mar 31 2018 | Jun 30 2017 | Jun 30 2018   | Jun 30 2017  |
| Cost of sales, excl. depreciation and amortisation <sup>(1) (2)</sup> | US\$m           | <b>83.3</b>   | 84.7        | 73.8        | <b>168.0</b>  | 130.6        |
| Deduct adjustment on adoption of IFRS 15                              | US\$m           | <b>N/A</b>    | (3.0)       | N/A         | <b>(3.0)</b>  | N/A          |
| <b>Cost of sales, excl. depreciation and amortisation</b>             | <b>US\$m</b>    | <b>83.3</b>   | <b>81.7</b> | <b>73.8</b> | <b>165.0</b>  | <b>130.6</b> |
| Selling costs and other non-cash adjustments                          | US\$m           | <b>4.2</b>    | 3.2         | 5.1         | <b>6.9</b>    | 9.6          |
| By-product credits  | US\$m           | <b>(30.0)</b> | (23.3)      | (33.3)      | <b>(53.3)</b> | (60.0)       |
| Total Cash Costs (net of by-product credits)                          | US\$m           | <b>57.5</b>   | 61.6        | 45.6        | <b>118.6</b>  | 80.2         |
| Gold sales from operating mines                                       | Koz.            | <b>138.9</b>  | 127.5       | 114.2       | <b>266.4</b>  | 228.2        |
| <b>Cash Costs</b>   | <b>US\$/oz.</b> | <b>414</b>    | <b>483</b>  | <b>399</b>  | <b>445</b>    | <b>351</b>   |
| Sustaining capital expenditure  | US\$/oz.        | <b>204</b>    | 227         | 166         | <b>215</b>    | 146          |
| Corporate general & administration                                    | US\$/oz.        | <b>57</b>     | 58          | 74          | <b>57</b>     | 63           |
| Other   | US\$/oz.        | <b>21</b>     | 31          | 42          | <b>27</b>     | 39           |
| <b>All-In Sustaining Costs</b>  | <b>US\$/oz.</b> | <b>696</b>    | <b>799</b>  | <b>681</b>  | <b>744</b>    | <b>599</b>   |

(1) Excludes gold sales from the Haile Gold Mine for the quarter ended March 31, 2017 given that the associated costs have been capitalised as commercial production was declared effective from October 1, 2017.

(2) The Company's consolidated financial results for the quarter ended March 31, 2018 reflect adjustments on adoption of IFRS 15 effective from January 1, 2018. Please refer to page 31 for further information.

## Outlook

Looking ahead to the remainder of 2018, the Company will continue to advance its organic growth opportunities including the continued development of Panel 2 of the Didipio Underground, the advancement of permitting at Waihi and the permitting of the Haile expansion.

Exploration activities continue to target the addition of resources to replace depletion through mining at each of the operations and at other prospects.

As announced on June 19, 2018, the Company increased its 2018 full year guidance due mainly to the implementation of an improved mine plan at Didipio. The Company now expects consolidated production in the second half of 2018 to be relatively flat compared to the first half.

The Company's revised 2018 guidance is summarised in the following table:

|  |            | Haile             | Didipio          | Waihi           | Macraes           | Consolidated      |
|--|------------|-------------------|------------------|-----------------|-------------------|-------------------|
| Gold Production                        | Ounces     | 140,000 – 155,000 | 95,000 – 105,000 | 75,000 - 85,000 | 190,000 – 200,000 | 500,000 – 540,000 |
| Copper Production                      | Tonnes     | –                 | 15,000 – 16,000  | –               | –                 | 15,000 – 16,000   |
| All-In Sustaining Costs <sup>(1)</sup> | US\$/ounce | \$725 – \$775     | \$260 – \$310    | \$750 – \$790   | \$950 – \$1,000   | \$725 – \$775     |

(1) Current 2018 financial year guidance is based on exchange rates of NZD/USD 0.72, average copper price, inclusive of executed hedges of \$3.15 / lb in average for the full year.

# Haile

## Production statistics

|                                  |      | Q2<br>Jun 30 2018 | Q1<br>Mar 31 2018 | Q2<br>Jun 30 2017 | YTD<br>Jun 30 2018 | YTD<br>Jun 30 2017 |
|----------------------------------|------|-------------------|-------------------|-------------------|--------------------|--------------------|
| Gold Produced                    | koz. | <b>38.6</b>       | 37.0              | 16.2              | <b>75.7</b>        | 37.0               |
| Total Waste Mined <sup>(1)</sup> | kt.  | <b>3,526</b>      | 4,229             | 3,514             | <b>7,755</b>       | 8,098              |
| Total Ore Mined                  | kt.  | <b>968</b>        | 809               | 538               | <b>1,777</b>       | 914                |
| Ore Mined Grade                  | g/t  | <b>1.84</b>       | 1.89              | 2.22              | <b>1.86</b>        | 2.01               |
| Mill Feed                        | kt.  | <b>627</b>        | 504               | 409               | <b>1,131</b>       | 761                |
| Mill Feed Grade                  | g/t  | <b>2.34</b>       | 2.77              | 1.99              | <b>2.53</b>        | 2.31               |
| Recovery                         | %    | <b>81.9</b>       | 82.3              | 61.7              | <b>82.1</b>        | 66.7               |

(1) Includes pre-strip.

For the first half of 2018, the Haile Gold Mine recorded a TRIFR of 11.6 per million hours worked, up from 8.48 per million hours worked in the first quarter of 2018. This increase in TRIFR reflects a less experienced mining workforce, requiring a stronger emphasis on principal hazard identification and control. The Company continues to work with Haile employees with management placing greater emphasis on positive safety interactions to re-engage the workforce in safety discussions. A behavioural based safety program aimed at improving safety awareness and workplace support is scheduled for roll out early in the third quarter.

For the first half of 2018, Haile produced 75,693 ounces of gold, including 38,644 ounces in the second quarter, up 105% compared to the first half of 2017 and up 138% compared to the second quarter of 2017. The significant increase in production is in-line with the continued ramp-up of the mine during 2018 from the early commission phase at the same time in 2017.

Mining operations continued within both the Mill Zone and Snake open pits. Total material mined in the first half of 2018 was up 6% while ore mined was up 94% compared to the same period in 2017 reflecting the ramp up of operations and the focus on extraction of ore over pre-stripping activities during 2018. Total material mined in the second quarter of 2018 was down 11% quarter-on-quarter due to mine sequencing and lower equipment availability. Operator productivity remains a key focus at Haile, with the Company continuing to focus on training while optimising planned maintenance schedules to enhance productivity and reduce unplanned maintenance equipment downtime. As mining continues in the Mill Zone and progresses deeper into a higher-grade zone in the Snake pit, the Company expects ore mined to increase in the second half of 2018.

Mill feed for the first half of 2018 was 1.13 million tonnes including 0.63 million tonnes in the second quarter, up 48% compared to the first half of 2017 and up 53% compared to the second quarter of 2017. This significant year-on-year improvement in mill feed follows the achievement of commercial production in October 2017 and continued successful ramp-up of the process plant to nameplate capacity. Mill feed for the second quarter was up 24% quarter-on-quarter on improved availability and utilisation rates after the extreme cold weather event in the first quarter. With the installation of the pebble crusher and the improved thickener circuit, the Company expects the mill capacity to increase during the second half of 2018.

Mill feed grade for the first half of 2018 was 2.53 g/t including 2.34 g/t in the second quarter reflecting stockpile management with higher-grade stockpiled material milled during the periods. Year-to-date gold recoveries remain steady and in-line with expectations in the low 80% range.

Looking ahead to the remainder of 2018, production in the second half of the year is expected to remain relatively flat compared to the first half as process plant improvements including the pebble crusher and thickener upgrade are expected to increase mill throughput offsetting expected lower head grades.

## Financial statistics

|                                 |                 | Q2<br>Jun 30 2018 | Q1<br>Mar 31 2018 | Q2<br>Jun 30 2017 <sup>(1)</sup> | YTD<br>Jun 30 2018 | YTD<br>Jun 30 2017 <sup>(1)</sup> |
|---------------------------------|-----------------|-------------------|-------------------|----------------------------------|--------------------|-----------------------------------|
| Gold Sales                      | koz.            | 42.9              | 32.6              | 15.6                             | 75.5               | 27.8                              |
| Silver Sales                    | koz.            | 37.3              | 30.9              | 6.1                              | 68.2               | 10.2                              |
| Average Gold Price Received     | US\$/oz.        | 1,300             | 1,336             | 1,258                            | 1,315              | 1,249                             |
| Cash Costs                      | US\$/oz.        | 276               | 481               | N/A                              | 365                | N/A                               |
| All-In Sustaining Costs         | US\$/oz.        | 573               | 952               | N/A                              | 737                | N/A                               |
| <b>All-In Sustaining Margin</b> | <b>US\$/oz.</b> | <b>727</b>        | <b>384</b>        | <b>N/A</b>                       | <b>578</b>         | <b>N/A</b>                        |

(1) In the second quarter 2017 MD&A, all revenue and costs reported do not include the Haile operations as these have been capitalised as commercial production was yet to be declared.

Revenue at Haile for the first half was \$100.5 million on gold sales of 75,534 ounces with an average gold price received of \$1,315 per ounce sold.

In the first half, average mining and processing costs were \$2.47 per tonne mined and \$14.58 per tonne milled. Site-based G&A costs were \$5.97 per tonne milled. Mining and processing costs remain higher than planned however productivity improvement initiatives including mine and mill data analytics and plant modifications are expected to continue to drive reductions in unit costs.

In the first half, AISC was \$737 per ounce sold with Cash Costs of \$365 per ounce sold on higher sales due to slightly better production and the recognition of sales carried forward from first quarter production. AISC in the second quarter was \$573 per ounce sold, down 40% quarter-on-quarter on higher production and lower site G&A costs related to the timing of some costs.

|   | Q2<br>Jun 30 2018 | Q1<br>Mar 31 2018 | Q2<br>Jun 30 2017 | YTD<br>Jun 30 2018 | YTD<br>Jun 30 2017 |
|---|-------------------|-------------------|-------------------|--------------------|--------------------|
| <b>Haile unit costs (US\$m)</b>                           |                   |                   |                   |                    |                    |
| <b>Cash Costs (gross) <sup>(1)</sup></b>                  | <b>12.4</b>       | <b>16.2</b>       | <b>N/A</b>        | <b>28.6</b>        | <b>N/A</b>         |
| Less: by-product credits                                  | (0.6)             | (0.5)             | N/A               | (1.1)              | N/A                |
| Add: Freight, treatment and refining charges              | 0.1               | 0.1               | N/A               | 0.1                | N/A                |
| <b>Cash Costs (net)</b>                                   | <b>11.8</b>       | <b>15.7</b>       | <b>N/A</b>        | <b>27.6</b>        | <b>N/A</b>         |
| Gold sales (koz)  | 42.9              | 32.6              | N/A               | 75.5               | N/A                |
| <b>Cash cost per ounce sold (US\$)</b>                    | <b>276</b>        | <b>481</b>        | <b>N/A</b>        | <b>365</b>         | <b>N/A</b>         |
| Add: General operations capital                           | 3.4               | 3.4               | N/A               | 6.8                | N/A                |
| Add: Pre-strip and capitalised mining                     | 6.4               | 7.8               | N/A               | 14.2               | N/A                |
| Add: Brownfields exploration                              | 1.5               | 1.0               | N/A               | 2.5                | N/A                |
| Add: Corporate General and Administration (G&A) and other | 1.5               | 3.1               | N/A               | 4.6                | N/A                |
| <b>All-In Sustaining Costs (net)</b>                      | <b>24.6</b>       | <b>31.1</b>       | <b>N/A</b>        | <b>55.6</b>        | <b>N/A</b>         |
| Gold sales (koz)  | 42.9              | 32.6              | N/A               | 75.5               | N/A                |
| <b>All-In Sustaining Costs per ounce sold (US\$)</b>      | <b>573</b>        | <b>952</b>        | <b>N/A</b>        | <b>737</b>         | <b>N/A</b>         |

(1) Includes onsite mining costs, royalties and production taxes, realised gains/losses on hedges and community and permitting costs for current operations

## Exploration

Year-to-date, exploration expenditure, including greenfield and other related exploration costs was \$3.1 million, including \$1.7 million in the second quarter.

During the second quarter, exploration drilling focused in and around the Snake, Ledbetter, Mustang, Red Hill, and Haile pits, utilising four diamond drill rigs and totalling 45 holes for 9,069 metres drilled.

Drill results received to date have continued to be encouraging and have identified a continuous zone of mineralisation west of the current Snake resource. Mineralisation has also been defined in the areas between the Snake and Ledbetter Pits and the Mustang and Ledbetter Pits. These results indicate that there may be additional unrealised extensional opportunities around and between the currently defined resource.

Detailed pit mapping in the Mill Zone and Snake pits is ongoing and has proven invaluable to the emerging district model. Regional geologic mapping was conducted at the Locust and Holly prospects.

Exploration activities in the third quarter of 2018 will include further extensional and infill drilling at the Ledbetter, Snake, and Red Hill pits and a core hole program at the Locust West prospect. Geological mapping activities will continue during the third quarter of 2018 and are expected to extend northeast and southwest of the mine.

## **Projects**

During the second quarter, the expansion of the process plant towards a targeted throughput capacity of between 3.5 to 4.0 million tonnes per annum progressed as expected. The installation of the pebble crusher and upgrade works of the thickener circuit continued and commissioning is expected early in the third quarter.

During the second quarter, civil works for the Isa Mill were tendered and awarded, while late in the quarter civil works for the Tower Mill commenced. The Isa Mill and the Tower Mill remain on schedule for commissioning in the first quarter of 2019 and when commissioned are expected to deliver enhanced gold recoveries.

For the remainder of 2018 the Company will focus on the identification and delivery of process plant improvement initiatives and de-bottlenecking opportunities to incrementally improve throughput capacity towards the targeted 3.5 to 4.0 million tonnes per annum while stabilising gold recoveries in the low to mid 80% range.

Preparation of permitting documentation for the Haile expansion including larger, optimised open pits, the Horseshoe underground mine and associated mining infrastructure such as additional waste stacks is expected to be submitted early in the third quarter of 2018.



# Didipio

## Production statistics

|                                  |     | Q2<br>Jun 30 2018 | Q1<br>Mar 31 2018 | Q2<br>Jun 30 2017 | YTD<br>Jun 30 2018 | YTD<br>Jun 30 2017 |
|----------------------------------|-----|-------------------|-------------------|-------------------|--------------------|--------------------|
| Gold Produced                    | koz | 33.1              | 25.7              | 42.9              | 58.8               | 105.6              |
| Copper Produced                  | kt  | 3.9               | 3.9               | 4.3               | 7.8                | 10.3               |
| Total Waste Mined <sup>(2)</sup> | kt  | 69                | 65                | 102               | 134                | 240                |
| Total Ore Mined                  | kt  | 520               | 106               | 1,012             | 626                | 3,760              |
| Ore Mined Grade Gold             | g/t | 2.59              | 1.61              | 1.34              | 2.44               | 1.43               |
| Ore Mined Grade Copper           | %   | 0.58              | 0.32              | 0.59              | 0.54               | 0.55               |
| Mill Feed                        | kt  | 912               | 952               | 911               | 1,864              | 1,920              |
| Mill Feed Grade Gold             | g/t | 1.25              | 0.94              | 1.60              | 1.09               | 1.85               |
| Mill Feed Grade Copper           | %   | 0.47              | 0.45              | 0.51              | 0.46               | 0.57               |
| Recovery Gold                    | %   | 90.1              | 88.5              | 89.1              | 89.3               | 90.3               |
| Recovery Copper                  | %   | 91.6              | 90.0              | 91.6              | 90.8               | 93.1               |

(1) Mining of the underground first production stope commenced during the first quarter 2018

(2) Includes pre-strip.

For the first half of 2018, Didipio recorded a TRIFR of 1.2 per million hours worked, up slightly from 1.14 per million hours worked at the first quarter as the operation continues to transition to the underground mine workforce.

During the first half, Didipio produced 58,797 ounces of gold and 7,808 tonnes of copper, including 33,140 ounces of gold and 3,919 tonnes of copper in the second quarter. As expected and previously forecast, gold production for the first half of 2018 was down 44% compared to same period in 2017 following the cessation of open pit mining at the end of the second quarter of 2017 and lower grade stockpiled material became the primary feed source.

As announced on June 19, 2018, the Company increased its 2018 gold production guidance primarily attributed to the implementation of a revised mine plan at Didipio, whereby mining of higher grade breccia material has been brought forward from the end of the life of mine. Didipio's 2018 gold production guidance now ranges from 95,000 to 105,000 ounces. Copper production remains the same at between 15,000 to 16,000 tonnes and cost guidance remains unchanged.

The amended mine plan includes 363,954 tonnes of breccia ore at a grade of 2.59 g/t be mined and replaced with engineered cement rockfill to ensure the ongoing stability of the underground. All breccia material was mined and stockpiled, during the quarter. During the quarter 117,741 tonnes of breccia material was milled and 246,213 tonnes, at 3.13 g/t gold and 0.58% copper remains stockpiled for future processing. Backfill with cemented rockfill works are expected to be completed in the third quarter. At the end of the first half of 2018, approximately 20 million tonnes of lower-grade stockpiled material remained for processing, at an average grade of 0.4 g/t and a copper grade of approximately 0.35%, for a gold equivalent grade of approximately 0.9 g/t.

The underground continued to ramp-up as expected with two stopes mined and a third commenced, resulting in a 32% quarter-on-quarter increase in underground material mined.

As expected, mill feed for the first half and second quarter of 2018 were broadly in-line with the same periods of 2017.

Gold mill feed grade for the first half of 2018 was 1.09 g/t including 1.25 g/t in the second quarter, down 41% compared to the first half of 2017 and down 21% compared to the second quarter of 2017 following the cessation of open pit material at the end of the second quarter in 2017.

Mill feed during the second quarter included 198,518 tonnes of underground ore, representing approximately 22% of total feed material compared to 55,309 tonnes or 6% in the first quarter. Underground mill feed grade in the second quarter was 1.45 g/t, up 32% compared to the first quarter as the underground continues to ramp-up.

The Company expects that gold and copper recoveries will range between 88% to 89% and 90% to 91% respectively through 2018. Both gold and copper recoveries remained within expected ranges.

During the second quarter, concentrate inventory at site decreased to 3,598 dry metric tonnes from 4,022 dry metric tonnes in the first quarter.

For the remainder of 2018, underground project activities will continue to focus on the development of Panel 2, water management and mine dewatering plus optimising the stope mining and backfill sequence as the mining fronts expand.

The ramp-up of the underground continues to meet expectations and the Company expects to process between 500,000 tonnes and 600,000 tonnes of underground material during 2018.

Looking to the remainder of 2018, the Company expects that stockpiled material will remain the primary feed source as the underground continues to ramp-up. The Company expects production in the second half of 2018 to be slightly softer compared to the first half of 2018. Production in the third and fourth quarters are expected to be flat yet relatively similar to that in the first quarter of 2018 as the higher-grade underground ore continues to supplement lower-grade stockpiled material.

## Financial statistics

|                                 |                 | Q2<br>Jun 30 2018 | Q1<br>Mar 31 2018 | Q2<br>Jun 30 2017 | YTD<br>Jun 30 2018 | YTD<br>Jun 30 2017 |
|---------------------------------|-----------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| Gold Sales                      | koz             | 27.9              | 31.6              | 47.2              | 59.5               | 98.7               |
| Copper Sales                    | kt.             | 4.0               | 3.2               | 5.8               | 7.2                | 10.0               |
| Silver Sales                    | koz.            | 48.2              | 41.0              | 63.0              | 89.2               | 116.1              |
| Average Gold Price Received     | US\$/oz.        | 1,260             | 1,368             | 1,271             | 1,317              | 1,251              |
| Average Copper Price Received   | US\$/lb.        | 3.12              | 3.03              | 2.45              | 3.06               | 2.57               |
| Cash Costs                      | US\$/oz.        | 214               | 125               | 7                 | 167                | (97)               |
| All-In Sustaining Costs         | US\$/oz.        | 365               | 231               | 147               | 294                | 15                 |
| <b>All-In Sustaining Margin</b> | <b>US\$/oz.</b> | <b>895</b>        | <b>1,137</b>      | <b>1,124</b>      | <b>1,023</b>       | <b>1,236</b>       |

Revenue at Didipio for the first half was \$122.2 million on 59,494 ounces of gold sold, including \$49.2 million on 7,172 tonnes of copper sold.

In the first half, average open pit mining costs and underground mining costs were \$16.96 per tonne mined and \$43.60 per tonne mined respectively. Processing costs and site G&A costs were \$6.24 per tonne milled and \$5.85 per tonne milled respectively. During the first half, open pit mining costs were predominantly associated with the stabilisation of the breccia zone overlying the underground workings. Underground mining costs are expected to decrease as the underground operations continue to ramp-up.

In the first half of 2018, Didipio's AISC was \$294 per ounce sold with Cash Costs of \$167 per ounce sold. Mill feed grades in the first half and second quarter of 2018 resulted in lower production and lower sales compared to corresponding periods in of 2017, resulting in higher AISC and Cash Costs.

|   | Q2<br>Jun 30 2018 | Q1<br>Mar 31 2018 | Q2<br>Jun 30 2017 | YTD<br>Jun 30 2018 | YTD<br>Jun 30 2017 |
|---|-------------------|-------------------|-------------------|--------------------|--------------------|
| <b>Didipio unit costs (US\$m)</b>                         |                   |                   |                   |                    |                    |
| <b>Cash Costs (gross) <sup>(1)</sup></b>                  | <b>29.6</b>       | <b>22.2</b>       | <b>25.8</b>       | <b>51.9</b>        | <b>36.1</b>        |
| Less: By-product credits                                  | (28.7)            | (22.0)            | (32.5)            | (50.7)             | (58.5)             |
| Add: Freight, treatment and refining charges              | 5.0               | 3.7               | 7.2               | 8.7                | 12.9               |
| <b>Cash Costs (net)</b>                                   | <b>6.0</b>        | <b>3.9</b>        | <b>0.3</b>        | <b>9.9</b>         | <b>(9.6)</b>       |
| Gold sales (koz)  | 27.9              | 31.6              | 47.2              | 59.5               | 98.7               |
| <b>Cash Cost per ounce sold (US\$)</b>                    | <b>214</b>        | <b>125</b>        | <b>7</b>          | <b>167</b>         | <b>(97)</b>        |
| Add: General operations capital                           | 0.5               | 0.2               | 2.2               | 0.7                | 3.4                |
| Add: Pre-strip and capitalised mining                     | 0.5               | 0.6               | 0.0               | 1.1                | 0.0                |
| Add: Brownfields exploration                              | 0.0               | 0.0               | 0.0               | 0.1                | 0.0                |
| Add: Corporate General and Administration (G&A) and other | 3.2               | 2.5               | 4.4               | 5.7                | 7.6                |
| <b>All-In Sustaining Costs (net)</b>                      | <b>10.2</b>       | <b>7.3</b>        | <b>6.9</b>        | <b>17.5</b>        | <b>1.4</b>         |
| Gold sales (koz)  | 27.9              | 31.6              | 47.2              | 59.5               | 98.7               |
| <b>All-In Sustaining Costs per ounce sold (US\$)</b>      | <b>365</b>        | <b>231</b>        | <b>147</b>        | <b>294</b>         | <b>15</b>          |

## Exploration

Year-to-date exploration expenditure, including greenfield and other related exploration costs \$0.4 million, approximately \$0.2 million in the second quarter.

Exploration activities focussed on underground resource definition drilling, with a total of 59 holes completed for a total of 7,769 meters, including 29 holes for 4,256 meters during the second quarter. Porphyry mineralisation was intercepted in all holes. During the second quarter, resource definition drilling largely identified the extent of mineralisation within Underground Panel 1, with the two underground drill rigs mobilised to define the extent of the mineralisation within Underground Panel 2.

Exploration within the greater Financial or Technical Assistance Agreement (“FTAA”) also continued with activities focused within the Radio prospect. Four surface trenches were excavated across the delineated silica-goethite-hematite zone in Bisang area to validate the surface geochemical anomaly and gather additional data to justify further work. A total of 265 meters of trenching were dug to a depth sufficient to expose bedrock. All reconnaissance mapping within the regional FTAA tenement was completed during the quarter.

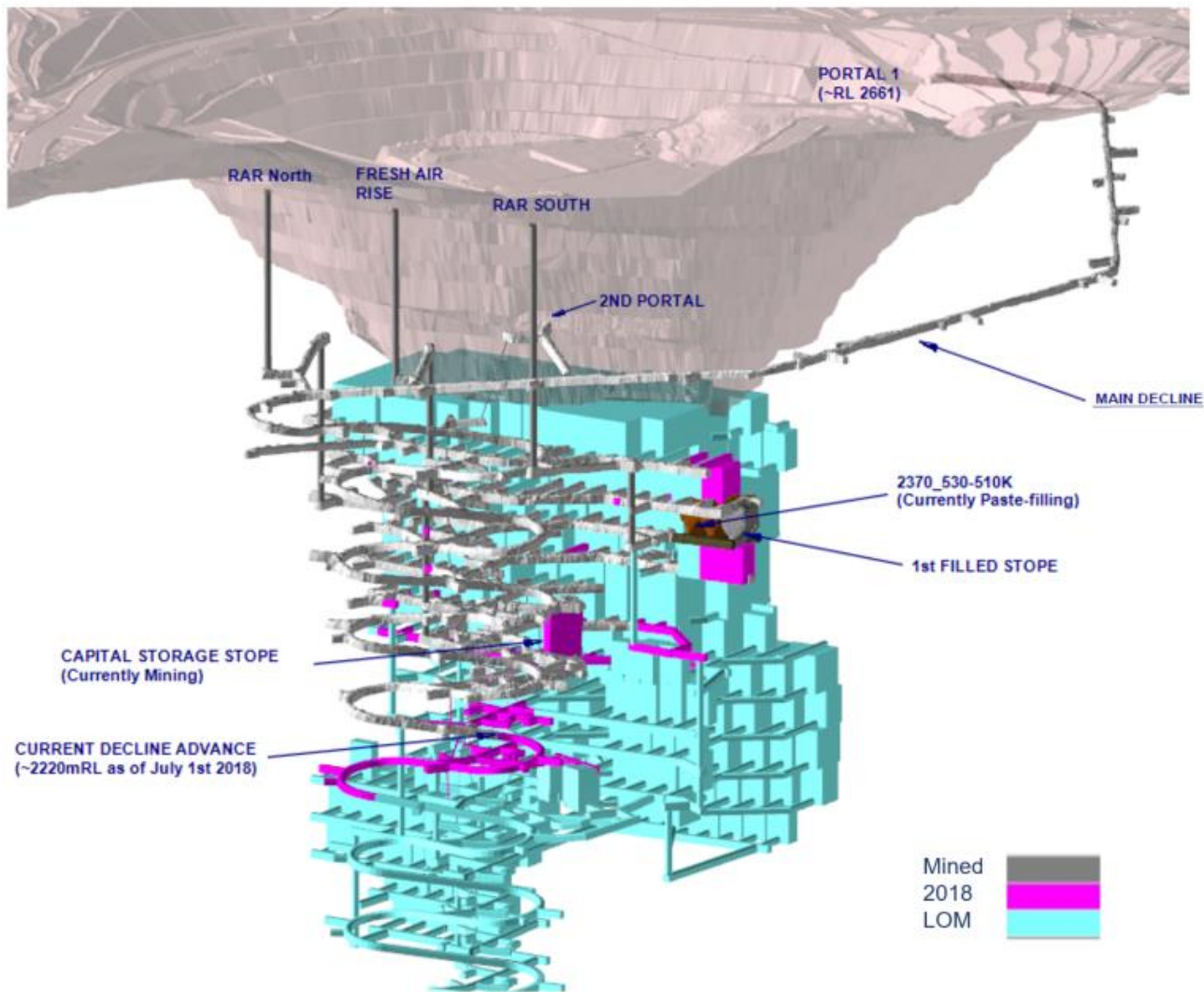
## Projects

During the second quarter, the Didipio underground advanced a total of 1,717 metres (Figure 1). Mining in the monzonite zone continued with two stopes mined and a third commenced. During the quarter, a double width stope was trialled successfully in the more competent monzonite material increasing stope width from 20 meters to 40 metres. In addition, the Company expects to continue to identify opportunities to increase the widths and heights of stopes within the mine plan, reducing underground mine development requirements. Looking ahead, the Company expects to mine three stopes, one of which is expected to be an expanded monzonite stope, during the third quarter and five stopes, one of which is expected to be an expanded monzonite stope, during the fourth quarter.

During the second quarter, the primary underground pump station operated at design capacity. Completion of the water storage stope is expected during the third quarter.

During the quarter, the Company successfully trialled a new mine task management and scheduling software, which is expected to be implemented across the underground mining fleet to optimise mine planning activities. Additionally, the Company held an automation and digital data management workshop which provided a framework for implementation of technology advances to further enhance underground mining performance and efficiency.

**Figure 1 – Cross-section of Didipio Underground Design and Construction Phase**



# Waihi

## Production statistics

|                   |     | Q2<br>Jun 30 2018 | Q1<br>Mar 31 2018 | Q2<br>Jun 30 2017 | YTD<br>Jun 30 2018 | YTD<br>Jun 30 2017 |
|-------------------|-----|-------------------|-------------------|-------------------|--------------------|--------------------|
| Gold Produced     | koz | <b>20.8</b>       | 18.5              | 25.6              | <b>39.3</b>        | 51.4               |
| Total Waste Mined | kt  | <b>39</b>         | 50                | 99                | <b>89</b>          | 183                |
| Total Ore Mined   | kt  | <b>115</b>        | 93                | 117               | <b>207</b>         | 227                |
| Ore Mined Grade   | g/t | <b>6.27</b>       | 6.84              | 7.48              | <b>6.52</b>        | 7.80               |
| Mill Feed         | kt  | <b>117</b>        | 91                | 120               | <b>208</b>         | 227                |
| Mill Feed Grade   | g/t | <b>6.27</b>       | 6.99              | 7.39              | <b>6.59</b>        | 7.80               |
| Recovery          | %   | <b>88.1</b>       | 90.8              | 89.8              | <b>89.5</b>        | 90.3               |

For the first half of 2018, the Waihi operation reported a TRIFR of 6.7 per million hours worked, up from 0 TRIFR in the first quarter. The Waihi team are strongly focussed on their leadership activities and are undertaking a review of the workplace engagement strategy to improve the safety culture within the work teams.

During the first half of 2018 Waihi produced 39,320 ounces of gold, including 20,798 ounces of gold in the second quarter down 24% compared to the first half of 2017 and down 19% compared to the second quarter of 2017 on lower grades due to mine sequencing.

During the second quarter of 2018, the temporary ventilation constraints and reduced equipment availability and utilisation rates from the first quarter were rectified resulting in a 24% quarter-on-quarter increase in ore mined. Consequently, mill feed increased by 29% with production increasing by 12% quarter-on-quarter.

Total ore mined during the first half was 207,262 tonnes, down 8% compared to the first half of 2017 due to mine sequencing and lower than planned equipment availability in the first quarter of 2018. Consequently, mill feed for the first half of 2018 was 207,865 tonnes, also down 8% compared to the first half of 2017.

During the first half of 2018, ore was sourced from the Correnso, Daybreak, Empire and Christina veins, with a gold head grade of 6.59 g/t, down 16% compared to the first half of 2017, when ore was primarily sourced from the higher grade Correnso vein.

Gold recovery for the first half was 89.5% and 88.1% in the second quarter in-line with lower head grade.

Development of the Martha underground drill drives continued in the second quarter with the 800-drill drive now 46% complete and the 920-drill drive 90% complete.

## Financial statistics

|                                 |                 | Q2<br>Jun 30 2018 | Q1<br>Mar 31 2018 | Q2<br>Jun 30 2017 | YTD<br>Jun 30 2018 | YTD<br>Jun 30 2017 |
|---------------------------------|-----------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| Gold Sales                      | koz             | 19.9              | 21.0              | 24.7              | 40.9               | 51.5               |
| Silver Sales                    | koz             | 42.5              | 49.6              | 48.0              | 92.1               | 87.3               |
| Average Gold Price Received     | US\$/oz.        | 1,301             | 1,326             | 1,257             | 1,314              | 1,237              |
| Cash Costs                      | US\$/oz.        | 697               | 665               | 553               | 680                | 534                |
| All-In Sustaining Costs         | US\$/oz.        | 885               | 824               | 913               | 854                | 876                |
| <b>All-In Sustaining Margin</b> | <b>US\$/oz.</b> | <b>416</b>        | <b>502</b>        | <b>344</b>        | <b>460</b>         | <b>361</b>         |

For the first half of 2018, underground mining costs were \$65.97 per tonne mined, processing costs were \$32.28 per tonne milled and site G&A costs were \$23.00 per tonne milled. Year-on-year mining and milling costs were higher reflecting lower volumes mined and milled.

For the first half, Waihi's AISC was \$854 per ounce sold while Cash Costs were \$680 per ounce sold. AISC for the first half and second quarter of 2018 was lower than in the first half and second quarter of 2017 on lower costs. AISC in the second quarter was \$885 per ounce sold compared to \$824 per ounce sold in the first quarter 2018, reflecting lower quarter-on-quarter gold sales. AISC is expected to improve in the second half of 2018 in-line with full year 2018 guidance.

| Waihi unit costs (US\$m)                                  | Q2<br>Jun 30 2018 | Q1<br>Mar 31 2018 | Q2<br>Jun 30 2017 | YTD<br>Jun 30 2018 | YTD<br>Jun 30 2017 |
|---|-------------------|-------------------|-------------------|--------------------|--------------------|
| <b>Cash Costs (gross) <sup>(1)</sup></b>                  | <b>14.5</b>       | <b>14.7</b>       | <b>14.4</b>       | <b>29.2</b>        | <b>28.8</b>        |
| Less: By-product credits                                  | (0.7)             | (0.8)             | (0.8)             | (1.5)              | (1.5)              |
| Add: Freight, treatment and refining charges              | 0.1               | 0.1               | 0.1               | 0.2                | 0.2                |
| <b>Cash Costs (net)</b>                                   | <b>13.9</b>       | <b>13.9</b>       | <b>13.7</b>       | <b>27.8</b>        | <b>27.5</b>        |
| Gold sales (koz)  | 19.9              | 21.0              | 24.7              | 40.9               | 51.5               |
| <b>Cash Cost per ounce sold (US\$)</b>                    | <b>697</b>        | <b>665</b>        | <b>553</b>        | <b>680</b>         | <b>534</b>         |
| Add: General operations capital                           | 1.6               | 0.7               | 2.3               | 2.3                | 4.7                |
| Add: Pre-strip and capitalised mining                     | 0.9               | 1.2               | 1.4               | 2.2                | 3.0                |
| Add: Brownfields exploration                              | 0.2               | 0.2               | 3.1               | 0.4                | 6.0                |
| Add: Corporate General and Administration (G&A) and other | 1.0               | 1.2               | 2.1               | 2.2                | 3.8                |
| <b>All-In Sustaining Costs (net)</b>                      | <b>17.6</b>       | <b>17.3</b>       | <b>22.6</b>       | <b>34.9</b>        | <b>45.1</b>        |
| Gold sales (koz)  | 19.9              | 21.0              | 24.7              | 40.9               | 51.5               |
| <b>All-In Sustaining Costs per ounce sold (US\$)</b>      | <b>885</b>        | <b>824</b>        | <b>913</b>        | <b>854</b>         | <b>876</b>         |

## Exploration

Year-to-date exploration expenditure, including greenfield and other related exploration costs was \$8.4 million, including approximately \$4.4 million in the second quarter.

As reported on June 11, 2018, the Company continues to intersect high-grade mineralisation along the Martha and Empire veins beneath the Martha Pit. These drilling activities are testing the Martha, Royal and Empire veins with a known combined strike length of 3,200 meters over a 500-meter vertical range. To date, drilling activities have been successful in the intersection of mineralisation within the targeted areas, but has also intersected mineralisation around the Empire and Martha veins, outside the targeted locations.

Year-to-date exploration activities have utilised up to three surface drill rigs and four underground drill rigs for a total of 82 drill holes for a total of 24,100 meters, including 41 holes for 10,626 metres in the second quarter. Drilling in the second quarter focused on resource development drilling beneath the Martha open pit and the testing of several exploration targets.

Development of the Martha 920 and 800 level drill drives continued to progress and drilling activities are being undertaken from six drill cuddies across both the 800 and 920 drill drive utilising four underground diamond drill rigs. Additional resource drilling was undertaken from surface around the open pit perimeter with up to three drill rigs.

The Company continued to intersect mineralisation along the East Graben vein at the WKP prospect; one of three significant veins (East Graben, West and T Stream) that have been drilled with encouraging widths and grades intersected.

Year-to-Date drilling activities of the regional WKP prospect utilised 2 diamond drill rigs totalling 11 holes for 4,283 metres, including 4 holes for a total of 1,850 metres in the second quarter. This drilling has intercepted encouraging widths and gold grades in further step-out holes on the East Graben Vein.

Exploration activities for the remainder of 2018 will continue to focus on the Martha resource development and WKP prospect.

## **Projects**

The Company continued to advance the permitting process for a 10-year mine life extension at Waihi. The Martha Project is the first phase comprising of underground and a small open pit in the main Martha Pit area.

The underground component includes a conceptual underground mine beneath the current open pit with an exploration target expected to yield tonnages of between 3.5 million and 5.0 million tonnes and grades ranging between 5.0 g/t and 7.0 g/t gold for 500,000 to 700,000 ounces of gold. This exploration target is conceptual in nature and was generated from an assessment of surface and underground drilling data collected by the Company as well as historical and archived geological and mining data from over a century of mining activity at Waihi. Underground lodes targeted include virgin areas, as well as areas characterised by historic mining.

The open pit component will involve a small cut back and the remediation of the north wall of the Martha open pit to remove the slip material to allow the construction of a new haul road to enable access to approximately 80,000 ounces of gold located within the base of the current open pit.

Drilling of this exploration target has been underway since August 2017 with many significant and encouraging drill results received from approximately 30 kilometres of drilling to date.

# Macraes

## Production statistics

|                                |     | Q2<br>Jun 30 2018 | Q1<br>Mar 31 2018 | Q2<br>Jun 30 2017 | YTD<br>Jun 30 2018 | YTD<br>Jun 30 2017 |
|--------------------------------|-----|-------------------|-------------------|-------------------|--------------------|--------------------|
| Gold Produced                  | koz | <b>50.4</b>       | 44.4              | 39.8              | <b>94.8</b>        | 78.3               |
| Total Waste Mined <sup>1</sup> | kt  | <b>10,546</b>     | 10,711            | 8,115             | <b>21,256</b>      | 17,965             |
| Total Ore Mined                | kt  | <b>1,196</b>      | 1,082             | 1,469             | <b>2,278</b>       | 2,549              |
| Ore Mined Grade                | g/t | <b>1.55</b>       | 1.33              | 1.02              | <b>1.44</b>        | 1.09               |
| Mill Feed                      | kt  | <b>1,478</b>      | 1,445             | 1,509             | <b>2,923</b>       | 2,884              |
| Mill Feed Grade                | g/t | <b>1.22</b>       | 1.12              | 1.02              | <b>1.17</b>        | 1.04               |
| Recovery                       | %   | <b>86.7</b>       | 85.1              | 80.0              | <b>85.9</b>        | 81.6               |

(1) Includes pre-strip.

For the first half, the Macraes operation reported a TRIFR of 7.1 per million hours worked, significantly lower than the 10.9 per million hours worked in the first quarter. Macraes continues to promote strong leadership driven safety culture with a focus on positive workplace engagements.

During the first half of 2018, Macraes produced 94,786 ounces of gold, including 50,368 ounces in the second quarter up 21% compared to the first half of 2017 and up 27% compared to the second quarter of 2017 primarily driven by higher grades from Coronation North.

Total material mined for the first half of 2018 was 23.5 million tonnes due to the commencement of mining at Coronation North at a strip ratio of 12:1, up 15% compared to the first half of 2017 on a much lower strip ratio of 9:1. Total material mined in the second quarter of 2018 was 11.7 million tonnes up 23% compared to the second quarter of 2017, again due to mining the comparatively higher strip ratio Coronation North. Looking forward to the end of 2018, the strip ratio is expected to decrease to approximately 7:1 for the second half of 2018.

Total material mined within FRUG in the first half was 511,620 tonnes, including 266,244 tonnes in the second quarter, both of which were in-line with the first half of 2017 and the second quarter of 2017 respectively.

In the second quarter of 2018, total ore mined was 1.2 million tonnes at an average grade of 1.55 g/t, including 937,103 tonnes of Coronation North ore at 1.44 g/t.

As expected, the grade of ore mined in the first half and second quarter of 2018 was higher compared to the corresponding periods in 2017 on higher grade Coronation North ore.

Mill feed for the first half of 2018 and the second quarter of 2018 was relatively flat compared to the first half of 2017 and the second quarter 2017. Mill throughput comprised of approximately 77% open pit ore and 23% underground ore.

First half mill feed grade was up 13% compared to the first half of 2017 on stronger grades from Coronation North. Mill feed grade for the second quarter of 2018 was also up 20% compared to the second quarter of 2017 on stronger grades from Coronation North.

Coronation North ore remained the primary feed source for the process plant resulting in improved circuit stability and stronger recoveries. Gold recoveries were 85.9% and 86.7% for the first half and second quarter of 2018 respectively.

Looking ahead to the remainder of 2018, gold production in the second half of 2018 is expected to be stronger than the first half as head grade increases. Full year 2018 gold production guidance for Macraes remains unchanged and is expected to be in the range of 190,000 to 200,000 ounces.



## Financial statistics

|                                 |                 | Q2<br>Jun 30 2018 | Q1<br>Mar 31 2018 | Q2<br>Jun 30 2017 | YTD<br>Jun 30 2018 | YTD<br>Jun 30 2017 |
|---------------------------------|-----------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| Gold Sales                      | koz.            | 48.2              | 42.3              | 42.3              | 90.5               | 78.1               |
| Average Gold Price Received     | US\$/oz.        | 1,302             | 1,329             | 1,255             | 1,315              | 1,241              |
| Cash Costs                      | US\$/oz.        | 535               | 663               | 751               | 595                | 795                |
| All-In Sustaining Costs         | US\$/oz.        | 920               | 1,095             | 1,140             | 1,002              | 1,154              |
| <b>All-In Sustaining Margin</b> | <b>US\$/oz.</b> | <b>382</b>        | <b>234</b>        | <b>115</b>        | <b>313</b>         | <b>87</b>          |

Macraes recorded first half revenue of \$119.0 million on gold sales of 90,510 ounces, including a second quarter revenue of \$62.7 million on gold sales of 48,215 ounces, higher than prior comparable periods on increased sales following the inclusion of the higher-grade Coronation North material.

For the first half, open pit mining costs were \$1.21 per tonne mined, underground mining costs were \$43.23 per tonne mined, processing costs were \$7.67 per tonne milled and site G&A costs were \$1.80 per tonne milled. Year-on-year mining costs were lower on higher volumes as strip ratios decreased at Coronation North Material. Underground mining costs were up on lower volumes however processing costs were higher on higher availability rates reflecting additional electricity costs while the more competent Coronation North ore required additional grinding media compared to the same period in 2017.

For the first half of 2018, Macraes' AISC was \$1,002 per ounce sold while Cash Costs were \$595 per ounce sold. The reduction in costs predominantly reflects higher grades at Coronation North and increased production. As higher grades from Coronation North persist for the remainder of 2018, the Company expects AISC to improve consistent with full year 2018 guidance.

| Macraes unit costs (US\$m)                                | Q2<br>Jun 30 2018 | Q1<br>Mar 31 2018 | Q2<br>Jun 30 2017 | YTD<br>Jun 30 2018 | YTD<br>Jun 30 2017 |
|---|-------------------|-------------------|-------------------|--------------------|--------------------|
| <b>Cash Costs (gross)</b> <sup>(1)</sup>                  | <b>25.6</b>       | <b>27.8</b>       | <b>31.6</b>       | <b>53.5</b>        | <b>61.9</b>        |
| Less: By-product credits                                  | 0.0               | 0.0               | 0.0               | 0.0                | 0.0                |
| Add: Freight, treatment and refining charges              | 0.2               | 0.2               | 0.2               | 0.4                | 0.3                |
| <b>Cash Costs (net)</b>                                   | <b>25.8</b>       | <b>28.0</b>       | <b>31.7</b>       | <b>53.8</b>        | <b>62.2</b>        |
| Gold sales (koz)  | 48.2              | 42.3              | 42.3              | 90.5               | 78.1               |
| <b>Cash Cost per ounce sold (US\$)</b>                    | <b>535</b>        | <b>663</b>        | <b>751</b>        | <b>595</b>         | <b>795</b>         |
| Add: General operations capital                           | 2.8               | 3.6               | 2.9               | 6.4                | 7.1                |
| Add: Pre-strip and capitalised mining                     | 12.4              | 11.3              | 10.1              | 23.6               | 15.1               |
| Add: Brownfields exploration                              | 1.3               | 1.1               | 1.2               | 2.5                | 2.0                |
| Add: Corporate General and Administration (G&A) and other | 2.1               | 2.2               | 2.2               | 4.4                | 3.7                |
| <b>All-In Sustaining Costs (net)</b>                      | <b>44.4</b>       | <b>46.3</b>       | <b>48.2</b>       | <b>90.7</b>        | <b>90.1</b>        |
| Gold sales (koz)  | 48.2              | 42.3              | 42.3              | 90.5               | 78.1               |
| <b>All-In Sustaining Cost per ounce sold (US\$)</b>       | <b>920</b>        | <b>1,095</b>      | <b>1,140</b>      | <b>1,002</b>       | <b>1,154</b>       |

## Exploration

Year-to-date exploration expenditure, including greenfield and other related exploration costs was \$2.4 million, including approximately \$1.3 million in the second quarter.

Year-to-date exploration drilling at Macraes totalled 169 holes for 18,627 metres, including 95 holes for 10,334 metres drilled within Coronation North, Deepdell, Coronation and FRUG.

Drilling in the second quarter focused on resource conversion and model updates at Coronation North and Deepdell and the commencement of an infill drilling program at Coronation and exploration drilling at FRUG targeting sheeted veining beneath the Z2 panel. Exploration activities for the remainder of 2018 will continue to focus on Coronation North, Coronation, Frasers Open Pit, and Round Hill Project (Golden Point).

## Projects

During the quarter, drilling at the Round Hill Project and Golden Point target continued, and work was commenced on an updated resource model to be used for further evaluation of mining options.

# Sustainability

## Environment

During the first half of 2018, the Company had not recorded any significant environmental incidents.

Preparation work for the permit of the Haile expansion project, including larger, optimised open pits, the Horseshoe underground mine and associated mining infrastructure was ongoing and is now expected to be submitted in the third quarter of 2018.

In addition to the permit preparation work, the Company commenced a campaign for the collection and removal of electronic waste, while planting over 300 trees along Highway 601.

During the quarter, Didipio received a Gold Award for Best Workplace Practices and the highest distinction for Global CSR Excellence as well as the CSR Leadership Award at the 10th Global CSR Summit Awards held in Lombok, Indonesia.

Furthermore, at Didipio the Final Mine Rehabilitation, Environmental Protection and Enhancement Plans covering the current Life of Mine were submitted to MGB Regional Office for assessment and endorsement. Didipio also engaged and coordinated with the MGB Regional Office to ensure effective stakeholder engagement and to ensure the communication of these plans to local Kasibu government stakeholders.

Didipio continued with progressive rehabilitation activities, trialling hydroseeding within a section of exposed rock faces of the open pit.

At Waihi, the Company submitted documentation to support the permitting requirements associated with the Martha Project. This documentation included heritage, stability, biomonitoring and vibration reports and was submitted to Council in June, within the projected timeline.

At Macraes, in compliance with consent conditions, the Company submitted its Annual Dust Report; a draft Annual Aquatic Report; and the Quarterly Geotechnical Monitoring Report in accordance with consent conditions.

Macraes is also in the process of planning to establish 1,000 native trees around the Top Tipperary Tailings Storage Facility (TSF) in an area along the Macraes-Dunback Road as per our consent requirements.

At Reefton, planned rehabilitation and closure activities have continued in collaboration with the community and Department of Conservation.

## Community

At Haile, the company hosted its fourth Gold Rush Day since 2007. The event was attended by approximately 1,600 local community members. The mine also hosted a presentation and site visit for a group of Community Leaders and members from The South Carolina Traffic & Transportation Association.

Haile continues with Legislative meetings regarding the advancement of optimization permitting and hosted sixteen political officials from the Kershaw County Council and County Chamber.

Haile personnel met with representatives from the Cherokee Nation. The Nation was complementary of the transparency and stewardship of the Haile management team.

In the Philippines, in the first half of 2018, the company contributed a total of US\$1.3 million towards the completion of activities committed to under the Social Development Management Plan (SDMP) and Memorandum of Agreement at Didipio. Key activities with the ongoing roadway development works, water drainage infrastructure and the construction of the Tukod Senior Citizens Office.

During the quarter, Didipio sponsored medical and dental missions in adjoining barangays to allow general access to Health Professionals and facilities. A total of 501 people were treated across the four different barangays.

Didipio also hosted mine tours for 740 individuals including Congressman Teddy Baguilat, Quirino Provincial Administrator and staff and family members of employees during the Family Day celebration.

In New Zealand, Waihi received an Innovation Award at the NZ Minerals Forum in recognition of its ground vibration programme and community engagement.

Throughout the quarter, Waihi conducted extensive community consultation and engagement with formal meetings held with Iwi groups including Ngati Koi, Ngati Tamatera, Ngati Hako, Ngati Mar.

During the quarter, over 550 students from various school groups visited the Mining Education Centre to gain a greater understanding and appreciation of modern mining techniques. Waihi also held a celebration for current and former employees to recognise 30 years of modern gold mining operations in the Waihi township.

At Macraes, a Family and Community Day was conducted with approximately 300 participants in attendance. A Farm Advisory Group has been initiated to provide the Site with advice on farming and lease management in the Macraes District.

## Other Information

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### Strategic Investments

At the end of the first half of 2018, the Company held \$61.7 million in marketable securities from strategic investments in junior exploration companies listed on the Venture Stock Exchange in Toronto.

These strategic investments include a 15.5% equity position in Gold Standard Ventures (GSV) and a 16.2% equity position in NuLegacy (NUG), both of which hold prospective exploration tenements in the main producing gold belts of Nevada, United States.

These strategic investments represent potential longer-term growth opportunities for the Company located in a recognised and significant gold producing jurisdiction that the Company believes has significant potential.

### Joint Ventures

In 2017, the Company entered into two separate Option Agreements with Mirasol Resources to explore the La Curva and Claudia projects located in Santa Cruz Province, Argentina. Both Agreements grant the Company the option to acquire up to a 75% interest in each project, requiring the Company to make a first-year commitment of \$1.25 million in exploration expenditures on La Curva and \$1.75 million on Claudia, complete 3,000 metres of drilling on each Project, and make \$100,000 in option payments to Mirasol which were paid on signing the Agreements in May 2017 (La Curva) and October 2017 (Claudia).

In the second quarter of 2018, the Company approved a decision to move to the second year of the La Curva joint venture agreement and is preparing a follow-up drill program. At Claudia final results from the first stage drill program were being evaluated while the assays from the final holes remain pending.

### Business Development

During the quarter, the Company entered an agreement with Tasman Mining for the development of the Blackwater deposit in the South Island of New Zealand.

Under the agreement, OceanaGold will support the early stages of project development, including the development of the first phase of a decline, at which point, and following Tasman Mining achieving certain conditions, Tasman Mining has three years in which to develop the project with an option to purchase Blackwater.

## Corporate Governance

The current members of the Board's Committees are:

| <b>Audit and Financial Risk Committee</b> | <b>Remuneration and Compensation Committee</b> | <b>Sustainability Committee</b> |
|---|--|---------------------------------|
| Paul B. Sweeney                           | James Askew                                    | James Askew                     |
| Ian M. Reid                               | Paul B. Sweeney                                | Dr. Geoff Raby                  |
| Dr. Geoff Raby                            | Nora L. Scheinkestel                           | Ian M. Reid                     |

As announced during the first quarter, the Company appointed Dr. Nora Scheinkestel to the Board of Directors as a Non-Executive Director, effective April 1, 2018, and Mr. Ian M. Reid to the Board of Directors as a Non-Executive Director, effective April 26, 2018.

As previously announced, Mr. William Myckatyn, Mr. Jose Leviste Jr and Dr. Diane Garrett did not seek re-election to the Board of Directors at the Annual General and Special Meeting of Shareholders held on June 1, 2018.

### Risks and uncertainties

This document contains some forward-looking statements that involve risks, uncertainties and other factors that could cause actual results, performance, prospects and opportunities to differ materially from those expressed or implied by those forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations include, among other things: volatility and sensitivity to market prices for gold; replacement of reserves; possible variations of ore grade or recovery rates; changes in project parameters; procurement of required capital equipment and operating parts and supplies; equipment failures; unexpected geological conditions; political risks arising from operating in certain developing countries; inability to enforce legal rights; defects in title; imprecision in reserve estimates; success of future exploration and development initiatives; operating performance of current operations; ability to secure long term financing and capital, water management, environmental and safety risks; seismic activity, weather and other natural phenomena; failure to obtain necessary permits and approvals from government authorities; changes in government regulations and policies including tax and trade laws and policies; ability to maintain and further improve labour relations; general business, economic, competitive, political and social uncertainties and other development and operating risks. For further detail and discussion of risks and uncertainties refer to the Annual Information Form available on the Company's website.

### Summary of quarterly results of operations

Page 7 of this report sets forth unaudited information for each of the eight quarters ended September 30, 2016 to June 30, 2018. This information has been derived from our unaudited consolidated financial statements which, in the opinion of management, have been prepared on a basis consistent with the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for fair presentation of our financial position and results of operations for those periods. The most significant factors causing variation in the result are the volatility of the gold and copper price, the variability in the grade of ore mined from the Haile, Didipio, Waihi and Macraes mines, gold and copper recoveries, the timing of waste stripping activities, movements in inventories and large movements in foreign exchange rates between the USD and NZD.

### Non-GAAP financial information

Throughout this document, we have provided measures prepared according to IFRS ("GAAP") as well as some non-GAAP performance measures. As non-GAAP performance measures, do not have a standardised meaning prescribed by GAAP, they are unlikely to be comparable to similar measures presented by other companies.

We provide these non-GAAP measures as they are used by some investors to evaluate OceanaGold's performance. Accordingly, such non-GAAP measures are intended to provide additional information and should not be considered in isolation, or a substitute for measures of performance in accordance with GAAP.

- Earnings before interest, tax, depreciation and amortisation (EBITDA) a non-GAAP measure and a reconciliation of this measure to Net Profit is provided on page 7.
- All-In Sustaining Costs ('AISC') per ounce sold is based on the World Gold Council methodology, is a non-GAAP measure and a Group reconciliation of these measures to cost of sales, is provided on page 12.

- Cash Costs per ounce sold is a non-GAAP measure and a Group reconciliation of these measures to cost of sales, is provided on page 12.
- All-In Sustaining margin refers to the difference between average gold price received, and AISC per ounce of gold sold.
- Net debt has been calculated as total interest-bearing loans and borrowings less cash and cash equivalents.
- Adjusted Free Cash Flow has been calculated as operating cash flow before working capital and capital expenditure.

#### **Transactions with related parties**

There were no significant related party transactions during the period.

#### **No offer of securities**

Nothing in this release should be construed as either an offer to sell or a solicitation of an offer to buy or sell OceanaGold securities in any jurisdiction, or be treated or relied upon as a recommendation or advice by OceanaGold.

#### **Reliance on third party information**

The views expressed in this release contain information that has been derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information. This release should not be relied upon as a recommendation or forecast by OceanaGold.

#### **Additional information**

Additional information referring to the Company, including the Company's Annual Information Form, is available at SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.oceanagold.com](http://www.oceanagold.com).

#### **Disclosure controls and procedures**

The Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2017. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as at December 31, 2017 to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would be made known to them by others within those entities. These controls were designed and evaluated using the framework set forth in Internal Control - Integrated Framework published by The Committee of Sponsoring Organisations of the Treadway Commission (1992).

#### **Internal control over financial reporting**

Management of OceanaGold, including the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting and disclosure controls and procedures as of December 31, 2017. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that they were effective at a reasonable assurance level.

There were no significant changes in the Company's internal controls, or in other factors that could significantly affect those controls subsequent to the date the Chief Executive Officer and Chief Financial Officer completed their evaluation, nor were there any significant deficiencies or material weaknesses in the Company's internal controls requiring corrective actions.

During the three months ended June 30, 2018, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The Company's management, including the Chief Executive Officer and the Chief Financial Officer, does not expect that its disclosure controls and internal controls over financial reporting will prevent all errors and fraud. A cost-effective system of internal controls, no matter how well conceived or operated, can provide only reasonable not absolute, assurance that the objectives of the internal controls over financial reporting are achieved.

#### **Critical accounting estimates and judgements**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. Please refer to Note 3 of OGC's interim consolidated financial statements for the quarter ended June 30, 2018 for further information.

## Changes in accounting policies and standards including initial adoption

The Group adopted the following accounting standards for the first time for the annual reporting period commencing January 1, 2018:

### IFRS 9 – Financial Instruments

The adoption of IFRS 9 did not have any impact on the amounts recognised in prior periods and current period. Its equity investments are strategic investments and continue to be Fair Value through Other Comprehensive Income (FVOCI). The gold and copper hedges are undesignated cash flow hedges and continue to be fair value through profit and loss. The Group does not have material financial assets for which there is an expected credit loss. It only sells to reputable banks, refiners and commodity traders.

### IFRS 15 – Revenue from contracts with customers

Revenue is generated from the sale of gold bullion and gold, copper and silver concentrates. Under IFRS 15, Revenue is recognised when control is transferred to the customer which replaced the notion of transfer of risks and rewards in IAS 18 – Revenue (superseded on January 1, 2018).

The Group applied the new standard IFRS 15 using the Modified Retrospective approach which recognises the cumulative effect of initial adoption as an adjustment to the opening balance of Retained Earnings at 1 January 2018, without having to adjust comparatives in the current year reporting.

The impact on the consolidated financial statements upon the adoption of IFRS 15 from January 1, 2018 under the Modified Retrospective approach is as follows:

- Bullion sales – Gold sales of 4,166 ounces that occurred in December 2017 met the revenue recognition criteria under the then prevailing IAS 18 and was correctly recognised in the prior year. The same sale however would not have met the recognition criteria under IFRS 15. Therefore, upon adoption of IFRS, the standard requires an adjustment to the opening Retained Earnings of the current year and a recognition of that sale in the current year which results in the below impacts on the Consolidated Statement of Comprehensive Income for the quarter ended March 31, 2018.

| Extracts of the Consolidated Statement of Comprehensive Income for the quarter ended March 31, 2018 (US\$m) | Under IFRS 15 (as reported) | Under IAS 18 | Impact of adoption Increase/ (decrease) |
|---|-----------------------------|--------------|---|
| Revenue   | 196.7                       | 191.2        | 5.5                                     |
| Cost of sales, excluding depreciation and amortisation  | (84.7)                      | (81.7)       | 3.0                                     |
| Depreciation and amortisation   | (51.4)                      | (49.7)       | 1.7                                     |
| Operating profit  | 48.3                        | 47.5         | 0.8                                     |
| Profit before income tax  | 51.7                        | 50.9         | 0.8                                     |
| Income tax (expense)  | (7.2)                       | (7.0)        | 0.2                                     |
| Net profit  | 44.5                        | 43.9         | 0.6                                     |

- Concentrate sales – recognition of those sales was not impacted by IFRS 15. The adoption only resulted in a separate disclosure of revenue arising from the provisional pricing adjustments.

The adjustment has no impact on the second quarter ended June 30, 2018.

In this Management Discussion and Analysis report, these adjustments have not been reflected in the operating and physical data and site financial results as these have already been reflected in the quarter ended December 31, 2017.