



# Management Discussion and Analysis

**Second Quarter 2019 Results**

**July 25, 2019**

[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, inability or delays in obtaining renewal of the Financial or Technical Assistance Agreement 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, 2018, 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”).

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

- First half of 2019 consolidated production of 254,972 ounces of gold and 7,871 tonnes of copper including second quarter production of 129,290 ounces of gold and 3,961 tonnes of copper.
- First half 2019 consolidated All-In Sustaining Costs (“AISC”) of \$1,073 per ounce on sales of 246,753 ounces of gold and 6,921 tonnes of copper.
- Second quarter consolidated AISC of \$1,118 per ounce on sales of 125,609 ounces gold and 3,597 tonnes copper.
- First half revenue of \$365.5 million with Earnings before Interest, Depreciation and Amortisation (“EBITDA”) of \$135.1 million and a net profit of \$27.7 million.
- Second quarter revenue of \$186.0 million with EBITDA of \$70.7 million and a net profit of \$15.3 million.
- Cash balance of \$84.7 million with total immediately available liquidity of \$134.7 million.
- Significant improvement in Haile operations with quarter-on-quarter production increase of 45%, cash cost decrease of 39% and AISC decrease of 23% despite accelerated pre-stripping activities.
- Martha Underground Project mine development commenced.
- Renewal of the Financial or Technical Assistance Agreement (“FTAA”) is continuing. Injunction sought in Nueva Vizcaya Provincial Court against local government order. Didipio underground mining suspended, ore processing and metal production ongoing.

| Period ended 30 June 2019<br>(US\$m)  | Q2 2019 | YTD 2019 |
|---|---------|----------|
| Gold Production (koz)   | 129.3   | 255.0    |
| Copper Production (kt)  | 4.0     | 7.9      |
| Cash costs (\$/oz)  | 684     | 686      |
| All-In Sustaining Costs (\$/oz)   | 1,118   | 1,073    |
| Revenue   | 186.0   | 365.5    |
| EBITDA (excluding gain/(loss) on fair value of undesignated hedges)                           | 70.7    | 135.1    |
| Earnings after income tax and before gain/(loss) on undesignated hedges and impairment charge | 22.1    | 38.1     |
| Net Profit  | 15.3    | 27.7     |
| Net operating cash flow   | 86.2    | 125.2    |
| Earnings per share - Basic (\$)   | 0.02    | 0.04     |
| Earnings per share - Diluted (\$)   | 0.02    | 0.04     |
| Adjusted earnings per share - Basic (\$)  | 0.04    | 0.06     |
| Adjusted earnings per share - Diluted (\$)  | 0.03    | 0.06     |

#### Notes:

- All numbers in this document are expressed in USD unless otherwise stated.
- Cash Costs, All-In Sustaining Costs, All-In Sustaining Margin, EBITDA, adjusted earnings per share and liquidity are non-GAAP measures. Refer to page 28 for explanation.
- Cash Costs and All-In Sustaining Costs are reported on ounces sold and net of by-product credits unless otherwise stated and exclude capital costs associated with expansionary growth.
- 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 haven’t 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.
- Adjusted earnings are earnings after income tax and before gains or losses on undesignated hedges and impairment charges

# Results for the second quarter ended June 30, 2019

## Health and Safety

At the end of the second quarter, the Company achieved a total recordable injury frequency rate (“TRIFR”) of 3.8 per million hours worked, down from 4.2 per million hours worked at the end of the previous quarter and 5.0 at the end of the second quarter of 2018. This decrease in Company TRIFR relates to seven fewer recordable injuries across the organisation YTD compared to 2018.

## Operational and Financial Overview

Consolidated gold production for the first half of 2019 was 254,972 ounces, including 129,290 ounces produced in the second quarter, which was 3% higher than the first quarter mainly driven by stronger production at Haile. Year-to-date (“YTD”) gold production was 5% below the first half of 2018 due to lower production from Haile, mainly in the first quarter of 2019, plus marginally lower production from the New Zealand operations partially offset by increased production from Didipio.

First half copper production was 7,871 tonnes, including 3,961 tonnes produced in the second quarter while silver production was 117,263 ounces in the first half.

Consolidated All-In Sustaining Costs (“AISC”) for the first half of 2019 was \$1,073 per ounce on sales of 246,753 ounces of gold. Second quarter AISC was \$1,118 per ounce on sales of 125,609 ounces of gold. The quarter-on-quarter increase in AISC was driven mainly by increased pre-stripping at both Haile and Macraes. Cash costs for the first half of the year were \$686 per ounce while second quarter cash costs were \$684 per ounce, similar to the previous quarter with higher gold sales and lower operating costs at Haile being partially offset by lower gold sales from Macraes.

For the first half of 2019, the Company reported revenue of \$365.5 million, EBITDA of \$135.1 million and net profit was \$27.7 million or \$0.04 per share on a fully diluted basis. On an adjusted net profit basis (before gain/loss on fair value of undesignated hedges and impairment) profit was \$38.1 million or \$0.06 per share fully diluted.

For the second quarter, the Company reported revenue of \$186.0 million, EBITDA of \$70.7 million and net profit of \$15.3 million or \$0.02 per share on a fully diluted basis. On an adjusted basis (before gain/loss on fair value of undesignated hedges and impairment) net profit was \$22.1 million or \$0.03 per share fully diluted. The Company achieved an annualised return on invested capital of 3%, with an EBITDA margin of 38.0%.

In the first half of 2019, the Company recorded operating cash flow of \$125.2 million, 33% below the first half of 2018 mainly due to lower EBITDA from Haile. For the YTD, the Company recorded a net cash outflow in view of increased cash flow used in investing activities of \$134 million which included the continuation of the Haile expansion and underground development at Didipio, significant pre-strip at Haile and Macraes and exploration drilling at and around Waihi in New Zealand. Operating cash flow for the second quarter was \$86.2 million which compared to \$39.0 million in the previous quarter mainly due improved EBITDA at Haile and favourable working capital movements relative to the prior quarter. Fully diluted cash flow per share before working capital movements was \$0.11 for the second quarter.

As at June 30, 2019, the Company’s cash balance was \$84.7 million while total immediately available liquidity was \$134.7 million, including \$50 million in undrawn funds under the Company’s revolving credit facility. As at the end of the second quarter, the Company’s net debt was \$108.4 million and the Company’s available credit facilities remained at \$200 million with \$150 million drawn. The slight increase in net debt reflects the increase in equipment leases related primarily to the progressive upgrades to the fleet at Haile.

The Company’s hedging program includes New Zealand dollar denominated gold put and call options which cover future gold production from Macraes. In the second quarter, the Company entered into new undesignated gold hedges to cover 118,800 ounces of future gold production from Macraes from 1 January to 31 December 2020. The total volume is to be settled in equal monthly instalments across 2020.



The hedging program is summarised below as at June 30:

| Put Option Average Strike Price | Call Option Average Strike Price | Gold Ounces Remaining | Expiry Date |
|---------------------------------|----------------------------------|-----------------------|-------------|
| NZ\$1,813                       | NZ\$2,000                        | 84,600                | Dec 2019    |
| NZ\$2,000                       | NZ\$2,100                        | 118,800               | Dec 2020    |
| <b>Total</b>                    |                                  | <b>203,400</b>        |             |

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

| Quarter ended 30 Jun 2019 (US\$m) | Hedge | Jun 30 2019   | Dec 31 2018  |
|-----------------------------------|-------|---------------|--------------|
| Current Liabilities               | Gold  | (7.3)         | (2.3)        |
| Non-Current Liabilities           | Gold  | (3.3)         | -            |
| <b>Total</b>                      |       | <b>(10.6)</b> | <b>(2.3)</b> |

## Capital Expenditure

Consolidated capital expenditure in the second quarter of 2019 was \$82.0 million, which was higher than the same period in 2018 and the previous quarter. The quarter-on-quarter increase in capital expenditure was driven by the timing of growth capital related to the Haile expansion and Didipio underground development. Additionally, the second quarter saw materially increased pre-stripping activities at Haile and Macraes plus continued exploration drilling, particularly at Waihi.

For the quarter growth capital at Haile related to site infrastructure for the expansion including construction of additional water retention ponds, dewatering wells and waste storage cells. Pre-strip and capitalised mining at Haile included the mobilisation of contractors to accelerate pre-stripping of saprolitic clay material during the drier months to mitigate weather related risks to the stripping of this material. Activities in the second quarter included the completion of stripping of Red Hill. While more than 70% of Haile's planned 2019 stripping has been completed in the first half, the initial weather impacts on stripping productivity and the acceleration of the stripping plan has increased pre-strip costs in 2019.

At Didipio, development of panel 2 of the underground continued according to plan. The Company has further optimised its underground mine design whereby both the monzonite and breccia zones of the underground will be mined top down. This will result in a more optimal geotechnical design, improved management of the hydrology and defer deeper development to later years.

Pre-stripping at Macraes during the second quarter was associated with Coronation Stage 5 and progressed more rapidly than plan due to the excellent mining rates achieved during the quarter.

| Quarter ended 30 Jun 2019 (US\$m)            | Q2<br>30 Jun 2019 | Q1<br>31 Mar 2019 | Q2<br>30 Jun 2018 | 2019<br>Guidance |
|--|-------------------|-------------------|-------------------|------------------|
| General Operations                           | 12.1              | 12.9              | 6.1               | 40 – 50          |
| Growth Capital (including corporate capital) | 30.4              | 15.1              | 21.3              | 110 - 125        |
| Pre-strip and Capitalised Mining             | 29.6              | 16.6              | 20.2              | 45 - 55          |
| Exploration                                  | 9.9               | 9.8               | 7.5               | 40 - 50          |
| <b>Capital and exploration expenditure</b>   | <b>82.0</b>       | <b>54.4</b>       | <b>55.1</b>       | <b>235 - 280</b> |

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

| Quarter ended 30 Jun 2019 (US\$m)          | Haile       | Didipio     | Waihi      | Macraes     |
|--|-------------|-------------|------------|-------------|
| General Operations                         | 2.2         | 2.4         | 0.5        | 7.1         |
| Growth Capital                             | 19.4        | 8.4         | 0.9        | (1.4)       |
| Pre-strip and Capitalised Mining           | 15.2        | 0.5         | 1.6        | 12.3        |
| Exploration                                | 1.5         | -           | 6.1        | 1.9         |
| <b>Capital and exploration expenditure</b> | <b>38.3</b> | <b>11.3</b> | <b>9.1</b> | <b>19.8</b> |

| Year-to-Date 30 Jun 2019<br>(US\$m)        | Haile       | Didipio     | Waihi       | Macraes     |
|--|-------------|-------------|-------------|-------------|
| General Operations                         | 4.8         | 6.4         | 1.3         | 12.3        |
| Growth Capital                             | 27.4        | 10.5        | 2.7         | 0.3         |
| Pre-strip and Capitalised Mining           | 23.2        | 1.1         | 3.0         | 18.9        |
| Exploration                                | 3.1         | -           | 12.0        | 3.3         |
| <b>Capital and exploration expenditure</b> | <b>58.5</b> | <b>18.0</b> | <b>19.0</b> | <b>34.8</b> |

Notes:

- Capital expenditure presented on an accruals basis but excludes rehabilitation and closure costs of \$3.6 million at Reefton
- Capital and exploration expenditure by location includes related regional greenfield exploration where applicable. Corporate capital projects and other greenfield exploration including costs associated with Joint Venture arrangements not related to a specific operation are excluded. These total \$2.8 million for the YTD.

## Income Statement

A summary of the financial performance is provided within the following table:

| Quarter ended 30 Jun 2019<br>(US\$m)   | Q2<br>30 Jun 2019 | Q1 <sup>(4)</sup><br>31 Mar 2019 | Q2<br>30 Jun 2018 | YTD<br>Jun 30 2019 | YTD<br>Jun 30 2018 |
|--|-------------------|----------------------------------|-------------------|--------------------|--------------------|
| Revenue  | 186.0             | 179.5                            | 205.7             | 365.5              | 402.4              |
| Cost of sales, excluding depreciation and amortization   | (99.7)            | (101.0)                          | (83.3)            | (200.7)            | (168.0)            |
| General and administration – other   | (11.9)            | (11.6)                           | (12.7)            | (23.5)             | (22.9)             |
| General and administration – indirect taxes <sup>(2)</sup>   | (4.5)             | (2.8)                            | (2.8)             | (7.3)              | (4.9)              |
| Foreign currency exchange gain/(loss)  | 0.2               | (0.2)                            | 1.3               | 0.0                | 1.9                |
| Other income/(expense)   | 0.6               | 0.5                              | 1.5               | 1.1                | 2.1                |
| <b>EBITDA (excluding gain/(loss) on undesignated hedges and impairment charge)</b>                     | <b>70.7</b>       | <b>64.4</b>                      | <b>109.7</b>      | <b>135.1</b>       | <b>210.6</b>       |
| Depreciation and amortization  | (41.7)            | (40.4)                           | (47.7)            | (82.1)             | (99.1)             |
| Net interest expense and finance costs   | (3.5)             | (3.6)                            | (3.6)             | (7.1)              | (7.3)              |
| <b>Earnings before income tax (excluding gain/(loss) on undesignated hedges and impairment charge)</b> | <b>25.5</b>       | <b>20.4</b>                      | <b>58.4</b>       | <b>45.9</b>        | <b>104.2</b>       |
| Income tax expense on earnings   | (3.4)             | (4.4)                            | (10.7)            | (7.8)              | (17.9)             |
| <b>Earnings after income tax and before gain/(loss) on undesignated hedges and impairment charge</b>   | <b>22.1</b>       | <b>16.0</b>                      | <b>47.7</b>       | <b>38.1</b>        | <b>86.3</b>        |
| Write off deferred exploration expenditure / investment <sup>(3)</sup>                                 | -                 | (4.6)                            | (2.9)             | (4.6)              | (2.9)              |
| Gain/(loss) on fair value of undesignated hedges   | (9.5)             | 1.4                              | 0.0               | (8.1)              | 6.0                |
| Tax (expense) / benefit on gain/loss on undesignated hedges  | 2.7               | (0.4)                            | (0.1)             | 2.3                | (0.1)              |
| Share of loss from equity accounted associates   | -                 | (0.0)                            | (0.1)             | -                  | (0.2)              |
| <b>Net Profit</b>  | <b>15.3</b>       | <b>12.4</b>                      | <b>44.6</b>       | <b>27.7</b>        | <b>89.1</b>        |
| Basic earnings per share   | \$0.02            | \$0.02                           | \$0.07            | \$0.04             | \$0.14             |
| Diluted earnings per share   | \$0.02            | \$0.02                           | \$0.07            | \$0.04             | \$0.14             |

(1) The Company's consolidated financial results for YTD June 30, 2018 reflected adjustments on IFRS 15 adoption from January 1, 2018.

(2) Represents indirect taxes in the Philippines specifically excise tax (expensed as from April 1, 2018), local business and property taxes. This value is included in the Company's AISC calculation as from January 1, 2019 in accordance with the World Gold Council's updated methodology.

(3) Deferred exploration related costs for the La Curva and Claudia projects were written off due to termination of agreement with Mirasol Resources Ltd

(4) The Company's consolidated financial results for the quarter ended March 31, 2019 reflected adjustments on IFRS 16 adoption from January 1, 2019.

The following table provides a quarterly financial summary:

| Quarter ended 30 Jun 2019<br>(US\$m)   | Jun 30<br>2019 | Mar 31<br>2019 | Dec 31<br>2018 | Sep 30<br>2018 | Jun 30<br>2018 | Mar 31<br>2018 <sup>(1)</sup> | Dec 31<br>2017 | Sep 30<br>2017 |
|--|----------------|----------------|----------------|----------------|----------------|-------------------------------|----------------|----------------|
| Revenue  | 186.0          | 179.5          | 183.3          | 186.8          | 205.7          | 196.7                         | 246.1          | 144.8          |
| EBITDA (excluding gain/(loss) on undesignated hedges and impairment charge)                                | 70.7           | 64.4           | 73.7           | 79.4           | 109.7          | 100.9                         | 148.6          | 73.3           |
| Earnings after income tax and before gain/(loss) on undesignated hedges and impairment charge (net of tax) | 22.1           | 16.0           | 17.4           | 20.4           | 47.7           | 38.6                          | 93.7           | 21.3           |
| Net Profit   | 15.3           | 12.4           | 10.9           | 21.7           | 44.6           | 44.5                          | 88.6           | 21.7           |
| <b>Net Earnings per share</b>  |                |                |                |                |                |                               |                |                |
| Basic  | \$0.02         | \$0.02         | \$0.02         | \$0.04         | \$0.07         | \$0.07                        | \$0.14         | \$0.04         |
| Diluted  | \$0.02         | \$0.02         | \$0.02         | \$0.03         | \$0.07         | \$0.07                        | \$0.14         | \$0.03         |

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

## Revenue

The Company's second quarter revenue of \$186.0 million was 4% higher than the prior quarter primarily due to increased production and sales volumes from Haile and Didipio and a higher average gold price received. These were partially offset by lower production and sales volumes from the New Zealand operations.

First half revenue of \$365.5 million was 9% lower than the first half of 2018 mainly due to lower production which impacted sales volumes from Haile combined with lower production and sales from the New Zealand operations as expected. These were partly offset by higher production from Didipio and a slightly higher average gold price received.

## EBITDA

Analysis of revenue and costs for each operating site is contained within this report on page 11.

The Company recorded first half EBITDA of \$135.1 million including \$70.7 million in the second quarter. First half EBITDA is lower than that of the same period in the prior year mainly due to a challenging first quarter at Haile plus lower production from New Zealand, partially offset by an improved second quarter at Haile.

## Depreciation and Amortisation

Depreciation and amortisation charges include amortisation of mine development and deferred pre-stripping costs plus depreciation of plant and equipment. Depreciation and amortisation charges are mostly calculated on a unit of production basis and totalled \$82.1 million for the first half, which was 17% lower than the first half of 2018 mainly due to the lower group production and sales. Second quarter charges were \$41.7 million which were slightly above the first quarter consistent with the increase in production and sales.

## Undesignated Hedges Gains/Losses

Unrealised gains and losses reflect the changes in the fair value 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 \$9.5 million unrealised loss due to mark-to-market revaluation of the New Zealand dollar gold hedges related to the second half of 2019 and for the year ended 31 December 2020. This compared to a \$1.4 gain in the prior quarter due to revaluation related to the 2019 gold hedges.

## Taxation expense

The Company recorded an income tax expense of \$0.7 million in the second quarter compared to an income tax expense of \$4.8 million in the previous quarter, both mainly related to New Zealand.

For the first half of 2019, the Company recorded an income tax expense of \$5.5 million, which was lower than the tax expense of \$18.0 million for the first half of 2018 mainly due to lower profits from Haile, the lower period on period production in New Zealand and the tax associated with the unrealised loss due to mark-to-market revaluation of the New Zealand dollar gold hedges.

Following the granting of an extension to the Income Tax Holiday Incentive to 31 March 2020, an income tax holiday continued to apply to the Philippines.

## Cash Flows

| Quarter ended 30 Jun 2019<br>(US\$m)    | Q2<br>30 Jun 2019 | Q1<br>31 Mar 2019 | Q2<br>30 Jun 2018 | YTD<br>Jun 30 2019 | YTD<br>Jun 30 2018 |
|---|-------------------|-------------------|-------------------|--------------------|--------------------|
| Cash flows from Operating Activities    | 86.2              | 39.0              | 109.0             | 125.2              | 186.1              |
| Cash flows used in Investing Activities | (76.1)            | (57.9)            | (60.0)            | (134.0)            | (119.1)            |
| Cash flows used in Financing Activities | (10.1)            | (2.6)             | (8.3)             | (12.7)             | (12.7)             |

Cash inflows from operating activities for the second quarter were \$86.2 million representing an increase from the previous quarter mainly due to higher EBITDA generated at Haile combined with favourable working capital movements of \$17.9 million.

For the first half of 2019, cash inflows from operating activities of \$125.2 million were 33% lower than for the first half of 2018 primarily due to lower group production and sales and a weaker EBITDA at Haile.

Cash used for investing activities of \$76.1 million in the second quarter was higher than the previous quarter with increased pre-stripping at both Haile and Macraes, progress as planned on key growth projects including the Haile expansion, Didipio underground and continued exploration drilling, particularly at Waihi.

For the first half of 2019, cash used for investing activities of \$134.0 million was 13% higher than in the first half of 2018 primarily due to higher pre-strip costs as required by the mine plans and growth spend to advance the planned growth projects at Haile, Didipio and Waihi in particular.

Cash used in financing activities for the second quarter was \$10.1 million including dividends paid of \$6.3 million and finance lease repayments compared to \$2.6 million in the previous quarter.

For the first half of 2019, cash used in financing activities of \$12.7 million were broadly in line with the first half of 2018, mainly reflective of dividends paid and finance lease payments.

## Balance Sheet

| Quarter ended 30 Jun 2019<br>(US\$m) | Q2<br>30 Jun 2019 | Q4<br>31 Dec 2018 |
|--------------------------------------|-------------------|-------------------|
| Cash and cash equivalents            | 84.7              | 107.7             |
| Other Current Assets                 | 145.3             | 144.6             |
| Non-Current Assets                   | 1,819.8           | 1,772.7           |
| <b>Total Assets</b>                  | <b>2,049.8</b>    | <b>2,025.0</b>    |
| Current Liabilities                  | 190.6             | 182.7             |
| Non-Current Liabilities              | 278.1             | 275.6             |
| <b>Total Liabilities</b>             | <b>468.7</b>      | <b>458.3</b>      |
| <b>Total Shareholders' Equity</b>    | <b>1,581.1</b>    | <b>1,566.7</b>    |

Current assets were \$230.0 million as at June 30, 2019 compared to \$252.3 million as at December 31, 2018. The decrease was mainly due to a lower cash balance.

Non-current assets increased to \$1.82 billion as at June 30, 2019, mainly due to increased mining assets and Property, Plant and Equipment partially offset by a decrease in the fair value of financial assets recognised through other comprehensive income and decreased inventories.

Current liabilities were \$190.6 million as at June 30, 2019 compared to \$182.7 million as at December 31, 2018. This was a result of increased trade payables and unrealised losses in the fair value of gold hedges partially offset by decreased income tax liabilities after payment of New Zealand income tax in the first quarter.

Non-current liabilities were \$278.1 million as at June 30, 2019 compared to \$275.6 million as at December 31, 2018. This was mainly due to increased finance lease liabilities (recognised under IFRS 16) and unrealised losses in the fair value of gold hedges partly offset by a reduction in the asset retirement obligations at Haile.

## Shareholders' Equity

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

| Quarter ended 30 Jun 2019<br>(US\$m)      | Q2<br>30 Jun 2019 |
|---|-------------------|
| Total equity at beginning of the quarter  | 1,568.0           |
| Profit after income tax                   | 15.3              |
| Movement in other comprehensive income    | (3.5)             |
| Movement in contributed surplus           | 1.3               |
| Issue of shares                           | 0.0               |
| <b>Total equity at end of the quarter</b> | <b>1,581.1</b>    |



Shareholders' equity increased slightly to approximately \$1.58 billion as at June 30, 2019, mainly due to the net profit exceeding the movements in other comprehensive income. Other Comprehensive Income reflects the net changes in the fair value of other financial 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 2019 | Shares Outstanding | Options and Share Rights Outstanding | Fully Diluted Shares Outstanding |
|---------------------------|--------------------|--------------------------------------|----------------------------------|
| July 25, 2019             | 622,275,651        | 12,571,549                           | 634,847,200                      |
| June 30, 2019             | 622,275,651        | 12,571,549                           | 634,847,200                      |
| December 31, 2018         | 618,623,496        | 13,389,731                           | 632,013,227                      |

## Debt management and liquidity

As at June 30, 2019, the cash funds held were \$84.7 million compared to \$107.7 million as at December 31, 2018. In addition, the Company held \$43.8 million in marketable securities being strategic investments in listed exploration companies.

The Company was in a net current asset position of \$39.4 million as at June 30, 2019 compared to a net current asset position of \$69.6 million as at December 31, 2018.

As at June 30, 2019, the Company's total debt facilities remained at \$200 million of which \$150 million remained drawn. The Company had immediately available liquidity of \$134.7 million with \$84.7 million in cash and \$50 million of available undrawn credit facilities.

## Capital Commitments

Capital commitments relates principally to the purchase of property, plant and equipment mainly in Haile and Didipio and the development of mining assets in Didipio. The Company's capital commitments as at June 30, 2019 are as follows:

| Quarter ended 30 Jun 2019<br>(US\$m) | Capital Commitments |
|--------------------------------------|---------------------|
| Within 1 year                        | 76.3                |

## 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 2019<br>(US\$m)    | Q2 2019 | YTD 2019 | 2018    | 2017    | 2016    |
|---|---------|----------|---------|---------|---------|
| Revenue                                 | 186.0   | 365.5    | 772.5   | 724.4   | 628.6   |
| Net Profit after Tax                    | 15.3    | 27.7     | 121.7   | 171.7   | 136.5   |
| Net Earnings per share – Basic          | \$0.02  | \$0.04   | \$0.20  | \$0.28  | \$0.22  |
| Net Earnings per share – Diluted        | \$0.02  | \$0.04   | \$0.19  | \$0.27  | \$0.22  |
| Total assets                            | 2,049.8 | 2,049.8  | 2,025.0 | 2,045.8 | 1,915.7 |
| Total non-current financial liabilities | 178.0   | 178.0    | 166.6   | 176.5   | 238.0   |
| Cash dividends per share                | \$0.01  | \$0.01   | \$0.03  | \$0.02  | \$0.01  |

Between 2015 and 2017, revenue, net profit and total assets increased after the Company acquired the Waihi Gold Mine in New Zealand on October 30, 2015 and the Haile Gold Mine in South Carolina, USA where commercial production was 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. In 2018, the Company made discretionary debt repayments totalling \$50 million.

## Business Summary

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

| Quarter ended 30 Jun 2019 |         | Haile | Didipio | Waihi | Macraes | Consolidated |          |
|---------------------------|---------|-------|---------|-------|---------|--------------|----------|
|                           |         |       |         |       |         | Q2 2019      | Q1 2019  |
| Gold Produced             | koz     | 37.2  | 33.1    | 21.2  | 37.8    | 129.3        | 125.7    |
| Gold Sales                | koz     | 34.0  | 31.7    | 20.2  | 39.7    | 125.6        | 121.1    |
| Average Gold Price        | US\$/oz | 1,317 | 1,400   | 1,316 | 1,310   | 1,331        | 1,308    |
| Copper Produced           | kt      | -     | 4.0     | -     | -       | 4.0          | 3.9      |
| Copper Sales              | kt      | -     | 3.6     | -     | -       | 3.6          | 3.3      |
| Average Copper Price      | US\$/lb | -     | 2.60    | -     | -       | 2.60         | 3.12     |
| Total Ore Mined           | kt      | 617   | 747     | 123   | 1,349   | 2,836        | 3,081    |
| Tonnes Processed          | kt      | 757   | 1,022   | 126   | 1,526   | 3,431        | 3,306    |
| Gold Grade Processed      | g/t     | 1.91  | 1.14    | 5.99  | 0.93    | 1.40         | 1.41     |
| Gold Recovery             | %       | 79.4  | 87.9    | 86.9  | 82.8    | 83.8         | 83.7     |
| Cash Costs                | US\$/oz | 710   | 552     | 648   | 786     | 684          | 688      |
| All-In Sustaining Costs   | US\$/oz | 1,379 | 733     | 815   | 1,356   | 1,118        | 1,026    |
| Year to date 30 Jun 2019  |         | Haile | Didipio | Waihi | Macraes | Consolidated |          |
|                           |         |       |         |       |         | YTD 2019     | YTD 2018 |
| Gold Produced             | koz     | 62.9  | 66.7    | 36.3  | 89.1    | 255.0        | 268.6    |
| Gold Sales                | koz     | 58.8  | 60.8    | 35.3  | 91.9    | 246.8        | 266.4    |
| Average Gold Price        | US\$/oz | 1,310 | 1,364   | 1,309 | 1,307   | 1,320        | 1,315    |
| Copper Produced           | kt      | -     | 7.9     | -     | -       | 7.9          | 7.8      |
| Copper Sales              | kt      | -     | 6.9     | -     | -       | 6.9          | 7.2      |
| Average Copper Price      | US\$/lb | -     | 2.85    | -     | -       | 2.85         | 3.06     |
| Total Ore Mined           | Kt      | 1,183 | 1,082   | 218   | 3,435   | 5,917        | 4,889    |
| Tonnes processed          | Kt      | 1,506 | 2,029   | 221   | 2,981   | 6,738        | 6,126    |
| Gold grade processed      | g/t     | 1.65  | 1.16    | 5.88  | 1.12    | 1.40         | 1.58     |
| Recovery                  | %       | 77.8  | 88.1    | 86.6  | 83.3    | 83.6         | 86.5     |
| Cash Costs                | US\$/oz | 902   | 476     | 698   | 682     | 686          | 445      |
| All-In Sustaining Costs   | US\$/oz | 1,551 | 687     | 889   | 1,092   | 1,073        | 744      |

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

| Quarter ended 30 Jun 2019  |                | Q2          | Q1          | Q2          | YTD         | YTD         |
|--|----------------|-------------|-------------|-------------|-------------|-------------|
|  |                | 30 Jun 2019 | 31 Mar 2019 | 30 Jun 2018 | Jun 30 2019 | Jun 30 2018 |
| Cost of sales, excl. D&A and including indirect taxes <sup>(1)</sup> | US\$m          | 103.4       | 103.8       | 83.3        | 206.3       | 168.0       |
| Deduct adjustment on adoption of IFRS 15                             | US\$m          | N/A         | N/A         | N/A         | N/A         | (3.0)       |
| <b>Cost of sales – sub-total</b>                                     | <b>US\$m</b>   | 103.4       | 103.8       | 83.3        | 206.3       | 165.0       |
| Selling costs  | US\$m          | 4.8         | 3.8         | 4.2         | 9.3         | 6.9         |
| By-product credits   | US\$m          | (22.2)      | (24.2)      | (30.0)      | (46.4)      | (53.3)      |
| Total Cash Costs (net of by-product credits)                         | US\$m          | 85.9        | 83.4        | 57.5        | 169.3       | 118.6       |
| Gold sales from operating mines                                      | Koz            | 125.6       | 121.1       | 138.9       | 246.8       | 266.4       |
| <b>Cash Costs</b>  | <b>US\$/oz</b> | 684         | 688         | 414         | 686         | 445         |
| Total sustaining capital expenditure                                 | US\$/oz        | 355         | 266         | 204         | 312         | 215         |
| Corporate general & administration                                   | US\$/oz        | 67          | 62          | 57          | 64          | 57          |
| Other  | US\$/oz        | 12          | 10          | 21          | 11          | 27          |
| <b>All-In Sustaining Costs</b>                                       | <b>US\$/oz</b> | 1,118       | 1,026       | 696         | 1,073       | 744         |

(1) The Company's consolidated results for the quarter ended June 30, 2018 reflect adjustments on adoption of IFRS 15 effective from January 1, 2018. In accordance with the World Gold Council's updated methodology for AISC calculation, as from January 1, 2019, the Company has included production taxes paid in the AISC – specifically excise tax, local business and property taxes paid in the Philippines.

## Outlook

The Company expects to generate strong operating cash flows from its portfolio of assets in 2019 and reinvest most of these cash flows to advance its value accretive organic growth opportunities and targeted exploration programs.

The Haile operation demonstrated a significant improvement to production in the second quarter mainly as a result of improved weather conditions and access to higher grade ore zones combined with the implementation of mitigating strategies to boost mining productivity. The impact of these improvement actions should continue to be seen in coming quarters. Haile production is expected to be stronger in the second half due to a continued trend of higher average grades, combined with improved recoveries and productivity. Costs are also expected to be lower with less pre-strip activity planned.

Didipio's second half outlook was broadly consistent with the first half. However, this is now dependent on either (i) the completion of the FTAA renewal process, or (ii) the favourable resolution of the legal dispute (as described in further detail in the Didipio section of this document), whichever comes first. Currently the Company believes if the renewal can be completed or if a positive resolution to the legal dispute can be achieved in a timely manner, Didipio can still meet existing full year guidance. The Company will provide ongoing updates on the progress of this matter.

Waihi production is expected to remain broadly consistent in the second half. Following receipt of resource consents (permits) for the Martha Underground Project, the Company is advancing mine development and management plans and ongoing resource drilling in anticipation of a rapid development approach.

At Macraes, production is expected to increase in the third quarter with the fourth quarter expected to be even stronger consistent with the expected grade profile.

Subject to the above, the Company expects production in the second half of 2019 to be stronger than in the first half while costs are expected to reduce.

# Haile

## Production statistics

|                                  |     | Q2<br>30 Jun 2019 | Q1<br>31 Mar 2019 | Q2<br>30 Jun 2018 | YTD<br>Jun 30 2019 | YTD<br>Jun 30 2018 |
|----------------------------------|-----|-------------------|-------------------|-------------------|--------------------|--------------------|
| Gold Produced                    | koz | 37.2              | 25.7              | 38.6              | 62.9               | 75.7               |
| Total Waste Mined <sup>(1)</sup> | kt  | 4,966             | 3,276             | 3,526             | 8,242              | 7,755              |
| Total Ore Mined                  | kt  | 617               | 566               | 968               | 1,183              | 1,777              |
| Ore Mined Grade                  | g/t | 2.31              | 1.75              | 1.84              | 2.04               | 1.86               |
| Mill Feed                        | kt  | 757               | 749               | 627               | 1,506              | 1,131              |
| Mill Feed Grade                  | g/t | 1.91              | 1.39              | 2.34              | 1.65               | 2.53               |
| Recovery                         | %   | 79.4              | 76.1              | 81.9              | 77.8               | 82.1               |

(1) Includes pre-strip.

Haile had one recordable injury in the first half of 2019 resulting in the 12-Month Mean Moving Average ("12MMA") TRIFR decreasing to 7.7 at the end of the second quarter of 2019. The Company remains strongly committed to driving an enhanced safety culture at the operation with the implementation of the behaviour-based safety program being a major component of achieving such an outcome. A continued focus on reinforcing the core behaviours identified by the work teams is planned for the remainder of 2019.

For the first half of the year, Haile produced 62,899 ounces of gold including 37,182 ounces in the second quarter. Gold production in the first half of the year was 17% lower than the same period in 2018 due to lower mill feed grade, partially offset by a 33% increase in mill feed. Quarter-on-quarter the operation demonstrated significant improvement in key operating areas including a 45% increase in gold production, a 45% increase in total mining movements, higher process plant throughputs, and a 3% improvement in gold recoveries.

Total mining movements (waste and ore) were broadly in-line with the same quarter in 2018 reflecting improved fleet capacity and better overall equipment productivity. Mining activities progressed to the final stages of Snake Pit Phase 1 concurrent with pre-stripping activities at Red Hill which were completed in the current quarter.

Quarter-on-quarter, total mining movements increased 45% as a result of mine improvement initiatives, improved equipment productivity, and favourable weather conditions. In the quarter, the Company also implement a planned acceleration of pre-stripping activity to coincide with the drier periods of the year.

Mill feed increased 21% over the same period in 2018 due to improved plant availability and increased feed rates. Quarter-on-quarter mill feed increased despite being impacted by the planned shutdown to tie-in the upgraded regrinding circuit in April. Mill feed grade increased 37% due to the mining of higher-grade ore from the lower benches of Snake Pit Phase 1. Feed grade and gold recovery decreased 18% and 3% respectively over the same period in 2018 due to the addition of low-grade stockpile material to the mill.

Early in the second quarter, the Company completed the tie-in of the upgraded regrinding circuit of the Tower Mill and IsaMill™. The upgraded regrinding circuit achieved recoveries in the mid 80's late in the second quarter. The Company expects improved gold recoveries in the second half of the year post optimisation of the regrinding circuit kinetics.

While the second quarter included a considerable performance improvement, the Company is committed to delivering continued and sustained performance improvements at Haile through:

- optimisation of the mine plan to coincide waste stripping with the drier periods in an effort to de-risk mining activities in the event of high rainfall periods;
- enhanced operational leadership capability and continued recruitment programs to attract and retain a skilled workforce;

- mine design, drill and blast work procedures and standards; and,
- operational readiness and continued planned mining fleet upgrades.

Looking ahead, production at Haile is expected to be significantly stronger in the second half of the year, and the Company expects the fourth quarter to be the strongest production quarter.

## Financial statistics

|                                 |         | Q2<br>30 Jun 2019 | Q1<br>31 Mar 2019 | Q2<br>30 Jun 2018 | YTD<br>Jun 30 2019 | YTD<br>Jun 30 2018 |
|---------------------------------|---------|-------------------|-------------------|-------------------|--------------------|--------------------|
| Gold Sales                      | koz     | 34.0              | 24.8              | 42.9              | 58.8               | 75.5               |
| Silver Sales                    | koz     | 21.3              | 15.8              | 37.3              | 37.1               | 68.2               |
| Average Gold Price Received     | US\$/oz | 1,317             | 1,301             | 1,300             | 1,310              | 1,315              |
| Cash Costs                      | US\$/oz | 710               | 1,164             | 276               | 902                | 365                |
| All-In Sustaining Costs         | US\$/oz | 1,379             | 1,787             | 573               | 1,551              | 737                |
| <b>All-In Sustaining Margin</b> | US\$/oz | (62)              | (486)             | 727               | (241)              | 578                |

(1) Haile achieved commercial production at the beginning of the fourth quarter 2017. As such all revenue and costs are reported and expensed.

| Unit Costs                                   |               | Q2<br>30 Jun 2019 | Q1<br>31 Mar 2019 | Q2<br>30 Jun 2018 | YTD<br>Jun 30 2019 | YTD<br>Jun 30 2018 |
|--|---------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| Owners Mining Cost (Open Pit) <sup>(1)</sup> | US\$/t mined  | 3.78              | 5.40              | 2.44              | 4.44               | 2.47               |
| Processing Cost                              | US\$/t milled | 15.10             | 13.74             | 13.84             | 14.42              | 14.58              |
| Site G&A Cost                                | US\$/t milled | 5.69              | 6.47              | 5.57              | 6.08               | 5.97               |

(1) Mining unit costs are inclusive of pre-strip.

| Haile unit costs (US\$m)                             | Q2<br>30 Jun 2019 | Q1<br>31 Mar 2019 | Q2<br>30 Jun 2018 | YTD<br>Jun 30 2019 | YTD<br>Jun 30 2018 |
|--|-------------------|-------------------|-------------------|--------------------|--------------------|
| <b>Cash Costs (gross)</b>                            | 24.4              | 29.1              | 12.4              | 53.5               | 28.6               |
| Less: by-product credits                             | (0.3)             | (0.2)             | (0.6)             | (0.6)              | (1.1)              |
| Add: Freight, treatment and refining charges         | 0.1               | 0.0               | 0.1               | 0.1                | 0.1                |
| <b>Cash Costs (net)</b>                              | 24.2              | 28.9              | 11.8              | 53.1               | 27.6               |
| Gold sales (koz)                                     | 34.0              | 24.8              | 42.9              | 58.8               | 75.5               |
| <b>Cash cost per ounce sold (US\$)</b>               | 710               | 1,164             | 276               | 902                | 365                |
| Add: General capital and leases                      | 4.7               | 4.5               | 3.4               | 9.2                | 6.8                |
| Add: Pre-strip and capitalised mining                | 15.2              | 8.0               | 6.4               | 23.3               | 14.2               |
| Add: Brownfields exploration                         | 1.0               | 1.2               | 1.5               | 2.3                | 2.5                |
| Add: Corporate general and administration            | 1.8               | 1.7               | 1.5               | 3.5                | 4.6                |
| <b>All-In Sustaining Costs (net)</b>                 | 46.9              | 44.4              | 24.6              | 91.3               | 55.6               |
| Gold sales (koz)                                     | 34.0              | 24.8              | 42.9              | 58.8               | 75.5               |
| <b>All-In Sustaining Costs per ounce sold (US\$)</b> | 1,379             | 1,787             | 573               | 1,551              | 737                |

Second quarter mining costs decreased 30% quarter-on-quarter due to increased productivity and equipment availability. Processing costs increased 10% quarter-on-quarter due to the planned shutdown and tie-in of the upgraded regrinding circuit in April. Processing costs achieved in May and June, subsequent to the planned shutdown and tie-in, were 9% lower than the prior quarter.



The second quarter 2019 AISC for Haile was \$1,379 per ounce sold, a decrease of 23% quarter-on-quarter due to improved mine productivity, higher milled grade plus lower total costs. These were partially offset by accelerated pre-stripping, which added approximately \$450 per ounce to AISC. Cash costs decreased by 39% in the second quarter due to improved operating performance and higher sales. The Company accelerated pre-stripping activities at Red Hill during the drier weather conditions in the quarter, completing more than 70% of planned 2019 pre-stripping. The Company expects AISC to decrease materially in the second half of the year.

For the second half of the year, the Company remains focussed on implementing continued operational improvements, mining fleet optimisation plans, and continued improvements in production through expected increases in grade and recoveries.

## Exploration

In the second quarter of 2019, exploration expenditure and other related costs at Haile was \$1.5 million. The exploration program included 30 holes for 6,227 metres utilising four diamond drill rigs. The Company's reverse circulation (RC) drilling completed three depressurisation wells at the Red Hill and Ledbetter pits. Drilling focused in and around the Ledbetter and Haile pits to expand and/or infill inferred blocks, validate RC grades with diamond holes, and optimise ultimate pit designs.

At Red Hill, the 32-drill infill program was completed in the first quarter and subsequently, the block model and mine plans were updated in May. Seven of forty-five planned drill holes were completed at Ledbetter with an initial focus on phase 1 and 2 pit designs. Results to date have the potential to expand the Ledbetter mineralisation along the southeast margin. Haile pit drilling has returned favourable results with ten of twenty planned holes completed to date.

For the third quarter, exploration activities will focus on drilling at Ledbetter, Haile and a regional target. Permit applications have been prepared for drilling at the Horsetail target located near Horseshoe.

## Projects

During the quarter, both the Tower Mill and IsaMill™ were installed and successfully brought on-line. In addition, the following modifications were completed and commissioned in the plant to facilitate increased throughput rates:

- upgrade to the cyanide recovery thickener with installation of a larger feed well;
- installed second carbon safety screen;
- installed new liner on the flotation conditioning tank and improved feed and discharge pipework; and
- installed a new ball mill feed box.

The cyanide destruct circuit upgrade progressed as planned with detailed design and civil works completed and tank construction on schedule for commissioning in the fourth quarter. A new pre-aeration thickener is being installed to align with the increased throughput rates. These works were initially planned for completion in mid-2020 but have been accelerated to enable further throughput improvement in the plant.

During the quarter, field construction activities began for a new PAG waste storage facility, which is on schedule to accept PAG material late in the third quarter of 2019.

Engineering and other pre-construction planning activities for the Horseshoe Underground Mine continued during the quarter in anticipation of receiving the permit later this year. A review of the original National Instrument ("NI") 43-101 technical report design was conducted resulting in a further optimised mine infrastructure plan developed to reduce geotechnical risks associated with the primary ventilation system. An updated geological model was also completed for the Horseshoe Underground orebody and a preliminary stoping sequence is expected to be completed in the third quarter.

# Didipio

## Production statistics

|                                  |     | Q2<br>30 Jun 2019 | Q1<br>31 Mar 2019 | Q2<br>30 Jun 2018 | YTD<br>Jun 30 2019 | YTD<br>Jun 30 2018 |
|----------------------------------|-----|-------------------|-------------------|-------------------|--------------------|--------------------|
| Gold Produced                    | koz | 33.1              | 33.6              | 33.1              | 66.7               | 58.8               |
| Copper Produced                  | kt  | 4.0               | 3.9               | 3.9               | 7.9                | 7.8                |
| Total Waste Mined <sup>(1)</sup> | kt  | 44                | 42                | 69                | 86                 | 134                |
| Total Ore Mined                  | kt  | 747               | 335               | 520               | 1,082              | 626                |
| Ore Mined Grade Gold             | g/t | 1.72              | 2.09              | 2.59              | 1.84               | 2.44               |
| Ore Mined Grade Copper           | %   | 0.56              | 0.56              | 0.58              | 0.56               | 0.54               |
| Mill Feed                        | kt  | 1,022             | 1,007             | 912               | 2,029              | 1,864              |
| Mill Feed Grade Gold             | g/t | 1.14              | 1.17              | 1.25              | 1.16               | 1.09               |
| Mill Feed Grade Copper           | %   | 0.43              | 0.43              | 0.47              | 0.43               | 0.46               |
| Recovery Gold                    | %   | 88.1              | 88.3              | 90.1              | 88.1               | 89.3               |
| Recovery Copper                  | %   | 90.4              | 89.2              | 91.6              | 89.5               | 90.8               |

(1) Includes pre-strip.

At the end of the second quarter, Didipio maintained a 12MMA TRIFR of 0.55 per million hours worked, down from 0.9 over the same period in 2018. This result continues the record of excellent safety performance at the operation.

For the first half of the year, Didipio produced 66,738 ounces of gold and 7,871 tonnes of copper. Gold production for the second quarter of 2019 was 33,103 ounces while copper production was 3,961 tonnes. Quarter-on-quarter production was broadly in-line as expected, with slightly higher mill feed partially offset by a lower average gold mill feed grade.

The underground operation continued to ramp-up during the quarter with total underground material mined 18% higher quarter-on-quarter. The operation continues to focus on the development of access and infrastructure for Panel 2 of the underground, mine dewatering and water management, along with optimisation of stope mining and backfill sequencing as the mining fronts expand.

Mill feed during the second quarter included 397,608 tonnes of underground ore, representing approximately 39% of the feed blend, compared to 30% in the prior quarter. For the year, the Company expects to mine approximately 1.2 to 1.3 million tonnes of ore from underground.

Second quarter gold mill feed grade was 1.14 g/t, down slightly from the first quarter due to planned mine sequencing, including stope extractions within the lower-grade monzonite zones of the underground. Gold recoveries were similar quarter-on-quarter.

During the quarter, the Company initiated a crown pillar stabilisation project that extracted a small area of the crown pillar in the lower-grade monzonite zones from surface. The project was largely complete at the end of the quarter with approximately 346k tonnes of ore grading 1.72 g/t gold and 0.50% copper extracted.

During the second quarter, the operation completed one shipment of gold-copper concentrate totalling approximately 11,500 wet metric tonnes and three doré gold shipments.

In late June, the Provincial Governor of Nueva Vizcaya issued an order directing his local government units to 'restrain any operations' of the Company ("NV Order"). On July 1, 2019, a local government unit prevented a large supply truck from accessing the mine site and the Company decided to halt all truck movements to prevent the potential for escalation.

On July 3, 2019, OceanaGold filed a petition in the Regional Trial Court of Nueva Vizcaya seeking the Court (a) declare as null and void the NV Order, (b) prohibit and restrain the Provincial Government of Nueva Vizcaya and other local government units from performing any act that may prevent the Company from conducting its mining operations at Didipio; and (c) by way of an interim relief, issue an injunction against the Provincial Government of Nueva Vizcaya and local government units from interfering with the Didipio operations.

The injunction application hearing took place on July 12, 2019, and the Company is currently awaiting a decision from the Court. Subsequently, Didipio's underground mining has been suspended due to the depletion of consumable mining supplies, while other underground activities including pumping continue for safety and environmental reasons. Processing of ore from stockpiles and metal production is also continuing.

Didipio's second half outlook was broadly consistent with the first half. However, this is now dependent on either (i) the completion of the FTAA renewal process (refer page 17), or (ii) the favourable resolution of the above legal dispute, whichever comes first. Currently the Company believes if renewal can be completed or if a positive resolution can be achieved in a timely manner Didipio can still meet existing full year guidance. The Company will provide ongoing updates on the progress of this matter.

## Financial statistics

|                                 |                | Q2<br>30 Jun 2019 | Q1<br>31 Mar 2019 | Q2<br>30 Jun 2018 | YTD<br>Jun 30 2019 | YTD<br>Jun 30 2018 |
|---------------------------------|----------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| Gold Sales                      | koz            | 31.7              | 29.1              | 27.9              | 60.8               | 59.5               |
| Copper Sales                    | kt.            | 3.6               | 3.3               | 4.0               | 6.9                | 7.2                |
| Silver Sales                    | koz            | 45.1              | 42.3              | 48.2              | 87.4               | 89.2               |
| Average Gold Price Received     | US\$/oz        | 1,400             | 1,324             | 1,260             | 1,359              | 1,317              |
| Average Copper Price Received   | US\$/lb        | 2.60              | 3.12              | 3.12              | 2.87               | 3.06               |
| Cash Costs                      | US\$/oz        | 552               | 394               | 214               | 476                | 167                |
| All-In Sustaining Costs         | US\$/oz        | 733               | 638               | 365               | 687                | 294                |
| <b>All-In Sustaining Margin</b> | <b>US\$/oz</b> | <b>667</b>        | <b>686</b>        | <b>895</b>        | <b>672</b>         | <b>1,023</b>       |

| Unit Costs                            |               | Q2<br>30 Jun 2019 | Q1<br>31 Mar 2019 | Q2<br>30 Jun 2018 | YTD<br>Jun 30 2019 | YTD<br>Jun 30 2018 |
|---------------------------------------|---------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| Mining Cost (Open Pit) <sup>(1)</sup> | US\$/t mined  | 7.33              | -                 | 11.64             | 11.91              | 16.96              |
| Mining Cost (U/G)                     | US\$/t mined  | 33.53             | 36.24             | 45.06             | 34.77              | 43.60              |
| Processing Cost                       | US\$/t milled | 5.58              | 5.68              | 6.07              | 5.63               | 6.24               |
| Site G&A Cost                         | US\$/t milled | 5.74              | 5.56              | 6.17              | 5.65               | 5.85               |

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

| Didipio unit costs (US\$m)                           | Q2<br>30 Jun 2019 | Q1<br>31 Mar 2019 | Q2<br>30 Jun 2018 | YTD<br>Jun 30 2019 | YTD<br>Jun 30 2018 |
|--|-------------------|-------------------|-------------------|--------------------|--------------------|
| <b>Cash Costs (gross)</b>                            | <b>29.7</b>       | <b>27.9</b>       | <b>29.6</b>       | <b>57.5</b>        | <b>51.9</b>        |
| Less: By-product credits                             | (21.3)            | (23.5)            | (28.7)            | (44.8)             | (50.7)             |
| Less: Production taxes                               | 4.6               | 2.8               | 0.0               | 7.4                | 0.0                |
| Add: Freight, treatment and refining charges         | 4.5               | 4.3               | 5.0               | 8.8                | 8.7                |
| <b>Cash Costs (net)</b>                              | <b>17.5</b>       | <b>11.5</b>       | <b>6.0</b>        | <b>28.9</b>        | <b>9.9</b>         |
| Gold sales (koz)                                     | 31.7              | 29.1              | 27.9              | 60.8               | 59.5               |
| <b>Cash Cost per ounce sold (US\$)</b>               | <b>552</b>        | <b>394</b>        | <b>214</b>        | <b>476</b>         | <b>167</b>         |
| Add: General capital and leases                      | 2.4               | 4.0               | 0.5               | 6.4                | 0.7                |
| Add: Pre-strip and capitalised mining                | 0.5               | 0.6               | 0.5               | 1.1                | 1.1                |
| Add: Brownfields exploration                         | 0.0               | 0.0               | 0.0               | 0.1                | 0.1                |
| Add: Corporate general and administration            | 2.8               | 2.4               | 3.2               | 5.3                | 5.7                |
| <b>All-In Sustaining Costs (net)</b>                 | <b>23.2</b>       | <b>18.5</b>       | <b>10.2</b>       | <b>41.8</b>        | <b>17.5</b>        |
| Gold sales (koz)                                     | 31.7              | 29.1              | 27.9              | 60.8               | 59.5               |
| <b>All-In Sustaining Costs per ounce sold (US\$)</b> | <b>733</b>        | <b>638</b>        | <b>365</b>        | <b>687</b>         | <b>294</b>         |

Second quarter average underground mining costs were \$33.53 per tonne mined, a significant improvement on the previous quarter as mining rates and efficiencies increased. Processing and site G&A costs were \$5.58 and \$5.74 per tonne milled respectively, broadly consistent quarter-on-quarter.

Didipio's AISC for the second quarter was \$733 per ounce sold which was higher than over the same period of 2018 and compared to the previous quarter. The quarter-on-quarter increase in AISC relates mainly to a reduction in copper credits as a result of lower average realised copper prices and timing of recognition of production taxes. Relative to the prior year quarter, the inclusion of \$4.5 million in production taxes in the second quarter of 2019 resulted in an increase of \$145 per ounce sold. In addition, the second quarter cash cost and AISC included approximately \$62 per ounce of non-cash cost and related to the progressive expensing of ore stockpiles.

## **Exploration**

For the second quarter 2019, early stage exploration and other related exploration costs totalled approximately \$0.2 million.

Technical review and assessment of near mine targets was undertaken, specifically outside of the current Didipio resource model. Resource definition drilling of the Didipio orebody totalled approximately 3,168 metres over 24 holes for the second quarter.

## **Projects**

In the second quarter, the Company continued to ramp-up underground mining operations at Didipio while advancing the development of panel 2. The main development of panel 2 is expected to be completed early in 2020 and mining from both underground mine panels is expected to increase mining rates to 1.6 million tonnes per year in 2020. With the discovery of additional mineralisation at depth, the Company has extended panel 2 of the underground.

## **Financial or Technical Assistance Agreement**

The initial term of the Financial or Technical Assistance Agreement (FTAA) ended on June 20, 2019. The FTAA is renewable for another 25 years under the same terms and conditions and the Company lodged the application for the renewal in March 2018. The Company is currently continuing the renewal process with its regulatory stakeholders, including the Department of Environment and Natural Resources ("DENR") and Mines and Geosciences Bureau ("MGB"). The MGB has confirmed in writing in a letter dated June 20, 2019 that the Didipio mine is permitted to continue its mining operations pending the completion of the renewal process.

The Company notes that should there be an extended suspension of production, or the FTAA renewal not be granted, this may constitute an impairment indicator and the carrying value of the Didipio assets may be impaired.

# Waihi

## Production statistics

|                   |     | Q2<br>30 Jun 2019 | Q1<br>31 Mar 2019 | Q2<br>30 Jun 2018 | YTD<br>Jun 30 2019 | YTD<br>Jun 30 2018 |
|-------------------|-----|-------------------|-------------------|-------------------|--------------------|--------------------|
| Gold Produced     | koz | 21.2              | 15.1              | 20.8              | 36.3               | 39.3               |
| Total Waste Mined | kt  | 72                | 53                | 39                | 125                | 89                 |
| Total Ore Mined   | kt  | 123               | 95                | 115               | 218                | 207                |
| Ore Mined Grade   | g/t | 5.96              | 5.72              | 6.27              | 5.86               | 6.52               |
| Mill Feed         | kt  | 126               | 95                | 117               | 221                | 208                |
| Mill Feed Grade   | g/t | 5.99              | 5.72              | 6.27              | 5.88               | 6.59               |
| Recovery          | %   | 86.9              | 86.3              | 88.1              | 86.6               | 89.5               |

At the end of the second quarter, the Waihi operation had sustained one recordable injury YTD. The 12-MMA TRIFR at the end of the second quarter was 5.5 per million hours worked which is a decrease from 8.6 at the end of 2018. Waihi continues to focus on implementing actions emanating from its safety maturity survey that are designed to reduce TRIFR.

For the first half of 2019, Waihi produced 36,283 ounces of gold including 21,169 ounces in the second quarter. Second quarter gold production increased slightly from the same period in 2018 due to increased mill feed, which partially offset a lower average mill feed grade. Quarter-on-quarter production increased, due to both a higher average mill feed grade and an increase in total mill feed.

Ore mined in the second quarter was 7% higher than over the same period in 2018, which had been partially impacted by lower equipment availability. The quarter-on-quarter increase in ore mined was due to the removal of previously noted ventilation limitations during the prior quarter.

During the quarter mined ore was sourced from the Correnso, Daybreak, Louis and Trio Deeps veins, with a gold mill feed grade of 5.99 g/t in the second quarter, up 5% quarter-on-quarter. Gold recovery for the second quarter was 86.9%, which was similar to the previous quarter.

Looking ahead, production is expected to be slightly lower in the third quarter due to lower expected grade related to mine sequencing. Overall production in the second half of the year is expected to be broadly consistent with the first half.

## Financial statistics

|                                 |                | Q2<br>30 Jun 2019 | Q1<br>31 Mar 2019 | Q2<br>30 Jun 2018 | YTD<br>Jun 30 2019 | YTD<br>Jun 30 2018 |
|---------------------------------|----------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| Gold Sales                      | koz            | 20.2              | 15.1              | 19.9              | 35.3               | 40.9               |
| Average Gold Price Received     | US\$/oz        | 1,316             | 1,300             | 1,301             | 1,309              | 1,314              |
| Cash Costs                      | US\$/oz        | 648               | 767               | 697               | 698                | 680                |
| All-In Sustaining Costs         | US\$/oz        | 815               | 988               | 885               | 888                | 854                |
| <b>All-In Sustaining Margin</b> | <b>US\$/oz</b> | 501               | 312               | 416               | 421                | 460                |

| Unit Costs                            |               | Q2<br>30 Jun 2019 | Q1<br>31 Mar 2019 | Q2<br>30 Jun 2018 | YTD<br>Jun 30 2019 | YTD<br>Jun 30 2018 |
|---------------------------------------|---------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| Mining Cost (Open Pit) <sup>(1)</sup> | US\$/t mined  | 46.03             | 60.33             | 62.57             | 52.21              | 65.97              |
| Processing Cost                       | US\$/t milled | 25.99             | 29.66             | 30.98             | 27.57              | 32.28              |
| Site G&A Cost                         | US\$/t milled | 19.23             | 24.44             | 21.10             | 21.92              | 23.00              |

(1) Mining unit costs are inclusive of any capitalised mining costs.



|  | Q2<br>30 Jun 2019 | Q1<br>31 Mar 2019 | Q2<br>30 Jun 2018 | YTD<br>Jun 30 2019 | YTD<br>Jun 30 2018 |
|--|-------------------|-------------------|-------------------|--------------------|--------------------|
| <b>Waihi unit costs (US\$m)</b>                      |                   |                   |                   |                    |                    |
| <b>Cash Costs (gross)</b>                            | 13.6              | 11.9              | 14.5              | 25.5               | 29.2               |
| Less: by-product credits                             | (0.6)             | (0.4)             | (0.7)             | (1.0)              | (1.5)              |
| Add: Freight, treatment and refining charges         | 0.1               | 0.0               | 0.1               | 0.1                | 0.2                |
| <b>Cash Costs (net)</b>                              | 13.1              | 11.5              | 13.9              | 24.6               | 27.8               |
| Gold sales (koz)                                     | 20.2              | 15.1              | 19.9              | 35.3               | 40.9               |
| <b>Cash cost per ounce sold (US\$)</b>               | 648               | 767               | 697               | 698                | 680                |
| Add: General capital and leases                      | 0.5               | 0.9               | 1.6               | 1.4                | 2.3                |
| Add: Pre-strip and capitalised mining                | 1.6               | 1.4               | 0.9               | 3.0                | 2.2                |
| Add: Brownfields exploration                         | 0.0               | 0.0               | 0.2               | 0.0                | 0.4                |
| Add: Corporate general and administration            | 1.3               | 1.1               | 1.0               | 2.3                | 2.2                |
| <b>All-In Sustaining Costs (net)</b>                 | 16.5              | 14.9              | 17.6              | 31.4               | 34.9               |
| Gold sales (koz)                                     | 20.2              | 15.1              | 19.9              | 35.3               | 40.9               |
| <b>All-In Sustaining Costs per ounce sold (US\$)</b> | 815               | 988               | 885               | 889                | 854                |

Second quarter underground mining costs were \$46.03 per tonne mined, processing costs were \$25.99 per tonne milled, and site G&A costs were \$19.23 per tonne milled. The quarter-on-quarter reduction in mining unit costs reflect the increased mining rates achieved in the second quarter. The reduction to milling and G&A unit costs are in-line with the quarter-on-quarter increase in mill feed.

Waihi's second quarter AISC was \$815 per ounce sold, which was lower than the corresponding period in 2018 and the previous quarter. The quarter-on-quarter decrease in AISC was driven mainly by higher gold production and sales. YTD AISC was \$889 per ounce, which was higher than the corresponding period in 2018 mainly due to a lower mill feed grade consistent with the mine plan.

## Exploration

In the second quarter of 2019, exploration expenditure and other related costs at Waihi was \$6.1 million with most of this investment at the Martha Project and the WKP prospect. A revised drill program now forecasts a total of approximately 74,500 metres drilling for 2019 compared to approximately 63,800 metres originally planned. The revised drilling plan is a result of the strong results received to date.

Brownfields exploration in the second quarter continued to focus on resource definition at the Martha Underground Project where 15,235 metres was drilled utilising six diamond drill rigs from drill cuddies off both the now fully completed 920-level and 800-level drill drives. This drilling was complemented by up to two surface diamond rigs. As at March 7, 2019, the Martha Underground Indicated Resource stood at 2.1 million tonnes at 4.84 g/t for 331,000 ounces of gold and Inferred Resources stood at 4.5 million tonnes at 4.59 g/t Au for 667,000 ounces of gold.

Drilling at the regional WKP prospect located approximately ten kilometres to the north of Waihi continued in the second quarter where 2,128 metres was drilled on the East Graben vein. This drilling has intersected significant widths and gold grades in step-out holes on the initial resource announced in the first quarter that included 0.4 million tonnes at 18.0 g/t for 234,000 ounces of gold in the Indicated category and 1.1 million tonnes at 11.88 g/t for 401,000 ounces of gold in the Inferred category with most of the resource attributed to the East Graben vein. Drill testing of other priority regional targets with coincident geophysical and geochemical anomalies around high level surface geological expressions of epithermal systems on the Ohui, White Bluffs, Glamorgan and Twin Hills tenements commenced late in the second quarter and will continue throughout the year with one drill rig.

Exploration activities in the third quarter of 2019 will continue to focus on the Martha Underground Project and WKP prospect.

## Projects

The development plan for Martha Underground Project has commenced while arrangements have been made for the construction of a raisebore ventilation connection between the 800-RL and 920-RL drill drives in the third quarter. This raisebore supports commencement of horizontal development for the project. The development of the Martha Underground Project is decoupled from the existing Waihi operation.

The feasibility study for the Martha Underground and other growth projects contemplated for the Waihi operation progressed well and included test work and engineering assessments for the application of a paste fill plant.

During the quarter, the Company lodged an application for a mining permit for the WKP prospect.

## Macraes

### Production statistics

|                                  |     | Q2<br>30 Jun 2019 | Q1<br>31 Mar 2019 | Q2<br>30 Jun 2018 | YTD<br>Jun 30 2019 | YTD<br>Jun 30 2018 |
|----------------------------------|-----|-------------------|-------------------|-------------------|--------------------|--------------------|
| Gold Produced                    | koz | 37.8              | 51.2              | 50.4              | 89.1               | 94.8               |
| Total Waste Mined <sup>(1)</sup> | kt  | 13,116            | 10,132            | 10,546            | 23,248             | 21,256             |
| Total Ore Mined                  | kt  | 1,349             | 2,086             | 1,196             | 3,435              | 2,278              |
| Ore Mined Grade                  | g/t | 0.96              | 1.04              | 1.55              | 1.01               | 1.44               |
| Mill Feed                        | kt  | 1,526             | 1,455             | 1,478             | 2,981              | 2,923              |
| Mill Feed Grade                  | g/t | 0.93              | 1.31              | 1.22              | 1.12               | 1.17               |
| Recovery                         | %   | 82.8              | 83.8              | 86.7              | 83.2               | 85.9               |

(1) Includes pre-strip.

In the second quarter of 2019, the Macraes operation reported three recordable injuries and a 12-MMA TRIFR of 5.4 per million hours worked, down from 7.4 at the end of the second quarter 2018. The operation has recently invigorated its behavioural based safety program and is focussing on improving its safety performance through the second half of 2019.

Second quarter 2019 gold production was 37,837 ounces, a decrease of 25% compared to the same period in 2018 due to a lower average feed grade as expected. Quarter-on-quarter production decreased as mining progressed into lower grade zones of Coronation North and additional low-grade stockpile material was used to supplement mill feed reducing the average feed grade which also resulted in slightly lower recoveries. These were partially offset by a 3% increase in total mill feed.

Total second quarter waste mined increased on both the second quarter of 2018 and the prior quarter reflecting a higher average strip ratio as planned stripping of Coronation Stage 5 progressed, combined with an increase in waste mining in lieu of ore mining as ore movements were temporarily interrupted while final repairs to the haul road culvert were completed in June. Correspondingly, ore mined in the second quarter decreased and additional lower grade stockpile ore was drawn to supplement mill feed reducing the average feed grade. Total material mined increased 18% quarter-on-quarter due to higher equipment utilisation combined with shorter haul distances required for waste material movements relative to ore.

Mill feed for the second quarter of 2019 was 3% higher than in the second quarter of 2018 and 5% higher quarter-on-quarter. The split between underground and open pit ore feed remained relatively constant quarter-on-quarter with open pit ore accounting for approximately 85% of the total ore feed. In the second quarter, 1.4 million tonnes of stockpiles were milled grading 0.9 g/t.

Feed grade in the second quarter decreased 24% compared to the same period in 2018, reflecting mining of lower grade zones as compared to the same period last year. Quarter-on-quarter feed grade was 29% lower than the previous quarter as expected with mining occurring in lower grade zones and additional stockpile material being used to supplement mill feed.

Second quarter 2019 recoveries were slightly lower than the previous corresponding periods due to slightly higher gold-to-sulphur ratios and the processing of lower average feed grades.

Looking ahead, production at Macraes is expected to be higher in the third and fourth quarters on higher grades and as the strip-ratio reduces.

## Financial statistics

|                                 |                | Q2<br>30 Jun 2019 | Q1<br>31 Mar 2019 | Q2<br>30 Jun 2018 | YTD<br>Jun 30 2019 | YTD<br>Jun 30 2018 |
|---------------------------------|----------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| Gold Sales                      | koz            | 39.7              | 52.2              | 48.2              | 91.9               | 90.5               |
| Average Gold Price Received     | US\$/oz        | 1,319             | 1,304             | 1,302             | 1,307              | 1,315              |
| Cash Costs                      | US\$/oz        | 786               | 603               | 535               | 682                | 595                |
| All-In Sustaining Costs         | US\$/oz        | 1,356             | 892               | 920               | 1,092              | 1,002              |
| <b>All-In Sustaining Margin</b> | <b>US\$/oz</b> | <b>(37)</b>       | <b>412</b>        | <b>382</b>        | <b>215</b>         | <b>313</b>         |

| <b>Unit Costs</b>                     |               | Q2<br>30 Jun 2019 | Q1<br>31 Mar 2019 | Q2<br>30 Jun 2018 | YTD<br>Jun 30 2019 | YTD<br>Jun 30 2018 |
|---------------------------------------|---------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| Mining Cost (Open Pit) <sup>(1)</sup> | US\$/t mined  | 1.09              | 1.26              | 1.25              | 1.17               | 1.21               |
| Mining Cost (U/G)                     | US\$/t mined  | 40.44             | 41.42             | 40.78             | 40.94              | 43.23              |
| Processing Cost                       | US\$/t milled | 7.03              | 6.98              | 7.35              | 7.01               | 7.67               |
| Site G&A Cost                         | US\$/t milled | 2.03              | 2.01              | 1.73              | 2.02               | 1.80               |

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

| <b>Macraes unit costs (US\$m)</b>                    | Q2<br>30 Jun 2019 | Q1<br>31 Mar 2019 | Q2<br>30 Jun 2018 | YTD<br>Jun 30 2019 | YTD<br>Jun 30 2018 |
|--|-------------------|-------------------|-------------------|--------------------|--------------------|
| <b>Cash Costs (gross)</b>                            | 31.1              | 31.3              | 25.6              | 62.3               | 53.5               |
| Less: by-product credits                             | (0.1)             | 0.0               | 0.0               | (0.1)              | 0.0                |
| Add: Freight, treatment and refining charges         | 0.2               | 0.2               | 0.2               | 0.3                | 0.4                |
| <b>Cash Costs (net)</b>                              | 31.2              | 31.5              | 25.8              | 62.6               | 53.8               |
| Gold sales (koz)                                     | 39.7              | 52.2              | 48.2              | 91.9               | 90.5               |
| <b>Cash cost per ounce sold (US\$)</b>               | 786               | 603               | 535               | 682                | 595                |
| Add: General capital and leases                      | 7.5               | 6.3               | 2.8               | 13.8               | 6.4                |
| Add: Pre-strip and capitalised mining                | 12.3              | 6.6               | 12.4              | 18.9               | 23.6               |
| Add: Brownfields exploration                         | 0.3               | (0.1)             | 1.3               | 0.2                | 2.5                |
| Add: Corporate general and administration            | 2.5               | 2.3               | 2.1               | 4.8                | 4.4                |
| <b>All-In Sustaining Costs (net)</b>                 | 53.8              | 46.5              | 44.4              | 100.3              | 90.7               |
| Gold sales (koz)                                     | 39.7              | 52.2              | 48.2              | 91.9               | 90.5               |
| <b>All-In Sustaining Costs per ounce sold (US\$)</b> | 1,356             | 892               | 920               | 1,092              | 1,002              |

Second quarter 2019 open pit mining costs were \$1.09 per tonne mined, underground mining costs were \$40.44 per tonne mined, processing costs were \$7.03 per tonne milled and site G&A costs were \$2.03 per tonne milled. The mining unit cost demonstrating significant improvement relative to prior comparative periods with the other unit cost metrics broadly in-line.

In the second quarter, Macraes AISC was \$1,356 per ounce sold, an increase over the same period in 2018 primarily due to lower mined and milled grades combined with higher general operating capex during the current period. AISC increased quarter-on-quarter due to the lower second quarter mined and milled grades, including the impact of drawing lower grade stockpile ore to supplement mill feed, combined with materially higher pre-strip movements which accounted for \$310 per ounce sold in the second quarter.

## **Exploration**

In the second quarter 2019, exploration expenditure and other related costs was approximately \$1.9 million with all expenditures related to brownfield exploration activities.

Exploration activities during the second quarter utilised up to three surface diamond drill rigs and one surface reverse circulation rig for a total of 13,487 metres drilled. Underground exploration during the second quarter utilised one diamond rig for a total of 491 metres drilled.

Drilling during the second quarter took place mainly at Golden Point and Frasers open pit and underground. At Golden Point, an infill program continued the definition of underground resources. The Golden Point infill program is nearly 70% complete. Drilling at Frasers consisted of an infill program which focused on the conversion of low-strip ratio open pit resources. The initial Frasers infill program was completed in June, with an additional program currently underway to convert newly defined resources. At Frasers Underground an infill drill program commenced on a proposed stoping panel. The underground infill drill program is 50% complete.

Drilling results to date from both Golden Point and Frasers are encouraging and demonstrate economic mining grades and widths for underground and open pit mining, respectively. The Company continues to investigate a standalone underground mining operation at Golden Point which forms part of the mine life extension initiatives for the Macraes operation. Results from Frasers Underground were in line with expectations.

Exploration activities in the third quarter of 2019 will continue to focus on Golden Point and Frasers. Infill drill programs totalling 13,000 metres are scheduled at Frasers West, Innes Mills and Frasers Underground to support mine planning.

## **Projects**

The Company is currently investigating opportunities to increase mine life at Macraes. To this end, the Company continues to invest in exploration with drilling activities across multiple targets within the Macraes Goldfield and through further mine planning.

Work progressed on a scoping study focused on the Golden Point geological resource, for which an in-filling drilling program is also being advanced. The Golden Point underground will potentially replace the Frasers Underground Mine, supporting a potential extension of the mine life in its current form.

# **Sustainability**

## **Environment and Community**

The Company did not record any significant environmental incidents in the second quarter of 2019.

The 2018 Sustainability Report was issued online with all data audited and verified by Bureau Veritas in line with Global Reporting Initiative (“GRI”) IV reporting requirements. The Company also continued its engagement with Environment, Social and Governance (“ESG”) third-party research firms to ensure recent data, policy and performance was available and understood in preparation of their research.

A Corporate Tailings Governance Committee, chaired by the CEO established to ensure that the development and review of processes, standards and QA/QC requirements are consistently and uniformly met across the Company's operations as well as to champion innovation regarding tailings management across the mining industry. The Committee will meet quarterly on an ongoing basis.

Risk Management training commenced across the operations in support of the Corporate risk management procedure and the inclusion of specific social risks into each operational risk register.

Work continues for the drafting of the policies and standards for the External Affairs and Social Performance Management System with planned roll out before the end of the year.

The Responsible Supply Chain Working Group completed a benchmarking of industry peers, Company suppliers and industry majors to identify how these groups are addressing Modern Slavery, Health, Safety and Environment and ethical requirements in their supply chains. A work plan will be developed based on the findings to deliver the Company approach and the first Modern Slavery Statement in June 2020 as required by Australian law.

## **Haile**

Groundwater and surface water model; site-wide water balance; transport model; and geochemistry model have been updated and submitted to the Army Corp of Engineers in support of the Haile expansion permit application. These models were cross-checked and verified by the three principal Professional Engineers using latest data from 2015 to 2018 monitoring and depressurization wells. The models are now being reviewed by a third-party independent engineering firm as part of a sensitivity analysis and have specifically included updated forecast precipitation data to assess potential impacts from climate change.

An updated reclamation plan has been created as part of the Haile expansion. The reclamation plan has been expanded to cover changes in east and west PAG designs, new overburden storage areas, expanded pits with backfill, and underground operations at Horseshoe. Reclamation plan was also modified based on updated modelling results for pit backfill rates, pit lake chemistry and geochemistry leaching kinetics.

Haile has participated in over twelve career days in the past year at the local elementary schools, middle schools, and high schools. The career days allow the students to ask questions about the operations and the different career opportunities at the mine.

Haile sponsored and supported a presentation with the Lancaster Chamber of Commerce at Buford Elementary School on the Leader in Me Program for elementary age students. This program empowers young people to make positive and productive decisions using Franklin Covey's 7 Habits of Highly Effective People. Haile is actively engaged with developing this program in the Kershaw Community.

Haile participated in the Community Easter Egg Hunt hosted by the Heart and Soul Foundation by donating 500 golden filled Easter Eggs and setting up an activity booth. There were several hundred members of the Company's community at the event. Local businesses donated over 10,000 plastic eggs filled with treats for the egg hunt. Games and activities were set up throughout the park for kids to enjoy.

## **Didipio**

The 2018 Ecological Assessment & Biodiversity Monitoring Report for Terrestrial and Aquatic Ecosystems was completed and submitted to the Department of Environment and Natural Resources (DENR), Mines and Geosciences Bureau (MGB), and Environmental Management Bureau (EMB).

Ongoing biodiversity research includes:

- Biodiversity Reservation Area and Nursery Clonal Facility Projects at Quirino State University (QSU);
- Development and On-Farm Demonstration of Integrated Rubber-Bases Agroforestry/ Farming under the Integrated Watershed Management of Addalam Basin with Isabela State University (ISU);
- "Heavy Metal Accumulation of Metallophytes in OceanaGold Didipio, Nueva Vizcaya" with a Master's in Environmental Science student from the University of the Philippines.



OceanaGold's Didipio was recognised during the 11th Annual Global CSR and Summit and Awards organised by the Pinnacle Group International. The Didipio operation competed with over 400 global and regional companies in the five categories. The event was held in Sarawak, Malaysia on April 4-5 with Didipio receiving the following awards:

- Platinum award for Empowerment of Women
- Platinum award for Best Environmental Excellence
- Gold award for Provision of Literacy and Education
- Silver award for Workplace Practices

A key focus through the quarter was the delivery of MOA commitments for the provincial road improvements with a total of 13 kilometres concreted including the Didipio-Capisaan road project (back road) with over two kilometres concreted to date.

### **Waihi**

Broad scale baseline ecological studies concluded at Wharekirauponga ("WKP"). A comprehensive report will be generated to assess any additional requirements for specific monitoring and to generate a baseline prior to proposed activities.

A vegetation clearing program at Union Hill commenced to remove exotic/invasive vegetation from the natural environment. This is a joint program with local community groups.

The Education Centre was updated to include WKP activities including the display of a large aerial photograph and drilling site.

### **Macraes**

Landcare (an independent land agent) prepared a rehabilitation review aimed at identifying improved rehabilitation outcomes from the perspective of a 'whole of farm' operation. The review included interviews with representatives from the farming community.

The Coronation North Extension Project application was recognised for Environmental Excellence at the Future of Mining Awards in Sydney, Australia for its redesign of the Coronation North Waste Rock Stack providing a net gain in biodiversity.

A powhiri at the Puketeraki Marae was held as part of the establishment of the Engagement Protocol signed between OceanaGold and the three runanga (tribes) associated with the Macraes Mine. This is the first step towards developing a working group with the three tribes.

Partnership with Strath Taieri Historical Society and Heritage New Zealand on the preservation of the Platypus – a submarine used for Gold Mining in the late 1800s, and interpretation boards for Maori diggings in the Nenthorn area.

Partnership signed with the Macraes Community Incorporated on the shared responsibilities on Macraes Village Maintenance.

Completion of the rehabilitation review of Macraes by Landcare, incorporating views from leaseholders on how rehabilitation of the mine site can be incorporated into the broader farming operation.

### **Reefton Rehabilitation Project**

The water treatment process plant standalone project has been completed, to enable the removal of the flotation circuit and the continued treatment of discharge water. A passive water treatment design is continuing based on a field inspection of various passive water treatment facilities across the US. Key learnings will be incorporated in the final passive water treatment design.

Approximately 106,000 seedlings have been requisitioned for this season's planting activities which is expected to commence in September 2019.

In April, the Company approved a community benefit fund which includes a three-year commitment to fund a Socio-Economic Development Officer for the Reefton community. This role would seek funding for non-mining related community development projects. A Memorandum of Understanding is under review with the Buller Regional Council (BDC). The community benefit funding would be initiated on July 1 and the BDC have commenced the recruitment process for the Socio-Economic Development Officer.

The Company continued earthworks for the Globe Pit spillway taking the spillway down to final design height, civil construction activities have now transitioned to final shaping of Devils Creek and Union Creek Waste rock stockpiles with this work to be completed during next quarter. The tailings facility capping has been completed to enable reforestation planting to begin next quarter.

Also in the quarter, the passive water treatment system design progressed and is nearing completion to enable construction to begin during the next summer period. As part of design finalisation, the Environmental & Restoration Coordinator completed an inspection and study review of operational passive treatment systems in the United States and provided tour learnings to the design consultants for incorporation.

### **Provincial road (Didipio-Dibibi)**





**Back Road Didipio - Capisan**



**Annual Global CSR Summit - Didipio**



## Other Information

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### Strategic Investments

As at June 30, 2019, the Company held \$43.8 million in marketable securities from strategic investments in junior exploration companies listed on the Venture Stock Exchange in Toronto (GSV, NUG).

These strategic investments include a 15.6% 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.

### Joint Ventures

The Company continues to review prospective joint venture opportunities with the aim of building a pipeline of projects within the Great Basin of western USA, southern Argentina and other prolific gold districts.

In the Great Basin of western USA, four projects are under Option Agreements with active exploration programs (see previous quarter MD&A). On the Highland project, an extensive geochemical soil sampling program was completed across the property. On the Spring Peak project, geologic mapping was initiated, and a geochemical soil survey was completed across a portion of the property. Permitting is in progress to drill the project in the fourth quarter of 2019. On the Fat Lizard project, geologic mapping and a ground geophysical survey were completed. Permits were received to drill the project in the third quarter of 2019. On the Tuscarora project, geologic mapping was completed across a portion of the property followed by the completion of two ground geophysical surveys targeting high-grade epithermal gold-silver veins extending under young cover.

In late May 2019, the Company entered into an Option Agreement with Rio De Oro S.A., a private company exploring the Santa Teresita Project in Rio Negro province, Argentina. The Company is targeting a three-kilometre-long zone of pervasively silicified sedimentary rocks, partly hydrothermally brecciated and cut by numerous crustiform, chalcedony veins. The prospect is interpreted as a shallowly exposed low sulphidation epithermal system untested by drilling to date. Detailed mapping, rock chip and channel sampling has been undertaken under the Agreement in preparation for a 1,500-metre diamond drill program scheduled to commence next quarter. Under the terms of the agreement, the Company can earn an initial 65% in the property with a minimum aggregate expenditure of US\$4,500,000 over the initial four-year period and meeting several option payments. Following completion of the 65% earn-in phase, the Company can earn an additional 15% (80% total) by completing a National Interest 43-101 compliant PEA within 3 years and meeting various option payments. The Company holds a one-off option to acquire the remaining 20%.

## Accounting & Controls Information

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### Corporate governance

As announced during the first quarter, the Company appointed Mr. Craig J. Nelsen to the Board of Directors as a Non-Executive Director, effective February 22, 2019.

After nearly twelve years, Non-Executive Chairman, Mr. Jim Askew retired at the Annual General and Special Meeting of Shareholders on June 14, 2019 and the Company appointed Mr. Ian M. Reid as the new Non-Executive Chairman of OceanaGold.

The current members of the Board's Committees are:

| <b>Audit and Financial Risk Committee</b> | <b>Remuneration Committee</b> | <b>Sustainability Committee</b> | <b>Governance and Nomination Committee</b> |
|---|-------------------------------|---------------------------------|--|
| Paul B. Sweeney                           | Craig J. Nelsen               | Dr. Geoff Raby                  | Dr. Nora L. Scheinkestel                   |
| Dr. Geoff Raby                            | Paul B. Sweeney               | Craig J. Nelsen                 | Paul B. Sweeney                            |
| Ian M. Reid                               | Dr. Nora L. Scheinkestel      | Ian M. Reid                     | Dr. Geoff Raby                             |

## Risks and uncertainties

This document contains some forward-looking statements that involve risks, uncertainties and other factors that could cause actual results, performance, prospects, opportunities and continued mining operations 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: failure to obtain necessary permits and approvals from government authorities including failure or delay in obtaining renewal of the Financial or Technical Assistance Agreement and the potential for extended suspension of operations at Didipio; 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; 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 6 of this report sets forth unaudited information for each of the eight quarters ended September 30, 2017 to June 30, 2019. 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 6.
- 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 11.



- 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 11.
- 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.
- Liquidity has been calculated as cash and cash equivalents and the total of funds which are available to be drawn under the Company's loan facilities.
- Free Cash Flow has been calculated as cash flows from operating activities before movements in working capital less cash flows used in investing activities.
- Adjusted net profit is defined as Earnings after income tax and before gain/(loss) on undesignated hedges and impairment charge as calculated on page 6. Adjusted earnings per share represents the adjusted net profit on a per share basis.
- Annualised return on invested capital is defined as annualised net profit divided by total shareholders' equity plus interest bearing debt.

### **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, 2018. 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, 2018 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 based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (2013 framework).



## **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, 2018. 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, 2019, 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 consolidated financial statements for the quarter ended June 30, 2019 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, 2019:

### *IFRS 16 - Leases*

The Group adopted the requirements of IFRS 16 Leases as of January 1, 2019. IFRS 16 replaces IAS 17 Leases and results in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The lease liability is measured at present value of the lease payments that are not paid at the balance date and is unwound over time during the interest rate implicit in the lease repayments where available or the Group's incremental borrowing rate.

The right of use asset comprises the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received. The asset is depreciated over the term of the lease.

The new standard replaces the Group's operating lease expense with an interest and depreciation expense.

Please refer to Note 2 of OGC's consolidated financial statements for the quarter ended June 30, 2019 for further information.

## **Accounting standards effective for future periods**

The following accounting policy is effective for future periods.

### **IAS 28 – Investments in associates and joint ventures**

This standard is amended to address the inconsistency between IFRS 10 and IAS 28 however the effective date has been deferred indefinitely by the IASB.

The main consequence of the amendments is that a full gain or loss is recognised when the transaction involves a business combination, and whereas a partial gain is recognised when the transaction involves assets that do not constitute a business.

Please refer to Note 2 of OGC's consolidated financial statements for the quarter ended June 30, 2019 for further information.