



**OCEANAGOLD CORPORATION**

**Results for announcement to the market**

| <b>Financial Results</b>                                          | <b>June 2019<br/>US\$m</b> | <b>June 2018<br/>US\$m</b> | <b>Change<br/>US\$m</b> | <b>Change<br/>%</b> |
|-------------------------------------------------------------------|----------------------------|----------------------------|-------------------------|---------------------|
| Revenue from ordinary activities                                  | 365.5                      | 402.4                      | (36.9)                  | Down 9.2%           |
| Profit from ordinary activities after tax attributable to members | 27.7                       | 89.1                       | (61.4)                  | Down 68.9%          |
| Net profit after tax attributable to members                      | 27.7                       | 89.1                       | (61.4)                  | Down 68.9%          |

**Explanation of Results**

Revenue for the six months ended 30 June 2019 decreased by 9.2% over the comparative period last year mainly due to lower gold ounces sold, lower copper tons sold, and lower average price received for copper. This is partly offset by higher average price received for gold.

Net profit after tax for the six months ended 30 June 2019 was \$27.7 million compared to \$89.1 million for the same period in 2018, a decrease of 68.9%. This result was attributable to lower revenue, higher operating costs, higher general & administration – indirect taxes, an unrealised loss on the fair value of undesignated gold hedges compared to an unrealised gain in 2018. Also, there was a one-off deferred exploration expenditure and investment for \$4.6m written off in 2019 compared to \$2.9m written off in 2018. This was partly offset by lower depreciation and amortisation and lower income tax expense.

For further explanation of the results, please refer to the Management Discussion and Analysis of Financial Condition and Results of Operations for the quarter and half year ended 30 June 2019 with the Unaudited Interim Condensed Consolidated Financial Statements for the period ended 30 June 2019.

The Financial Statements, prepared in accordance with International Financial Reporting Standards, have been subject to review by the group's auditors and the review report is included in the interim consolidated financial statements attached to this document.

On 11 February 2016, the Company was granted waivers from ASX Listing Rules 4.2A, 4.2B, 4.3A and 4.3B in relation to certain half year and full year reporting requirements. Further information in relation to these waivers are available in the 'Additional Information' section of the Company's 2016 Management Information Circular dated May 3, 2016.



## *Auditor's Independence Declaration*

As lead auditor for the review of OceanaGold Corporation for the three and six month periods ending 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of OceanaGold Corporation and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'JOH O'DONOGHUE'.

John O'Donoghue  
Partner  
PricewaterhouseCoopers

Melbourne  
25 July 2019



## **Independent auditor's review report to the Shareholders of OceanaGold Corporation**

### ***Report on the Interim Financial Report***

We have reviewed the accompanying interim financial report (the second quarter financial report) of OceanaGold Corporation (the Company), which comprises the condensed consolidated statement of financial position as at 30 June 2019, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the three and six months periods ended on that date, a summary of significant accounting policies and other explanatory notes for the OceanaGold Corporation Group. The Group comprises the Company and the entities it controlled during that second quarter.

### ***Management's responsibility for the second quarter financial report***

Management is responsible for the preparation of the second quarter financial report that gives a true and fair view in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of the second quarter financial report that is free from material misstatement whether due to fraud or error.

### ***Auditor's responsibility***

Our responsibility is to express a conclusion on the second quarter financial report based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with International Accounting Standard 34: *Interim Financial Reporting*. As the auditor of OceanaGold Corporation, ISRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Independence***

In conducting our review, we have complied with the independence requirements of The Code of Ethics for Professional Accountants issued by the International Federation of Accountants.



### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of OceanaGold Corporation does not present fairly, in all material respects, the financial position of the consolidated entity as at 30 June 2019 and of its financial performance and its cash flows for the three and six month periods ended on that date, in accordance with International Accounting Standard 34: *Interim Financial Reporting*.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to be "JO", written over the printed name of John O'Donoghue.

John O'Donoghue  
Partner

Melbourne  
25 July 2019



OCEANAGOLD CORPORATION

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
SECOND QUARTER REPORT  
JUNE 30<sup>TH</sup>, 2019  
UNAUDITED

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**As at June 30, 2019**

(in millions of United States dollars)

|                                                   | <i>Notes</i> | <i>June 30<br/>2019<br/>\$</i> | <i>December 31<br/>2018<br/>\$</i> |
|---------------------------------------------------|--------------|--------------------------------|------------------------------------|
| <b>ASSETS</b>                                     |              |                                |                                    |
| <b>Current assets</b>                             |              |                                |                                    |
| Cash and cash equivalents                         |              | 84.7                           | 107.7                              |
| Trade and other receivables                       | 5            | 18.3                           | 21.0                               |
| Derivatives and other financial assets            | 6            | 0.3                            | 0.6                                |
| Inventories                                       | 7            | 111.8                          | 109.3                              |
| Prepayments                                       |              | 14.9                           | 13.7                               |
| Total current assets                              |              | 230.0                          | 252.3                              |
| <b>Non-current assets</b>                         |              |                                |                                    |
| Trade and other receivables                       | 5            | 93.2                           | 90.7                               |
| Derivatives and other financial assets            | 6            | 44.5                           | 55.6                               |
| Inventories                                       | 7            | 188.3                          | 193.7                              |
| Deferred tax assets                               | 8            | 24.7                           | 27.0                               |
| Property, plant and equipment                     | 9            | 789.2                          | 763.6                              |
| Mining assets                                     | 10           | 677.4                          | 639.5                              |
| Investments                                       |              | 2.5                            | 2.6                                |
| Total non-current assets                          |              | 1,819.8                        | 1,772.7                            |
| <b>TOTAL ASSETS</b>                               |              | <b>2,049.8</b>                 | <b>2,025.0</b>                     |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |              |                                |                                    |
| <b>Current liabilities</b>                        |              |                                |                                    |
| Trade and other payables                          |              | 122.3                          | 115.7                              |
| Employee benefits                                 | 12           | 11.7                           | 11.4                               |
| Derivatives and other financial liabilities       | 14           | 7.3                            | 2.3                                |
| Current tax liabilities                           |              | 30.5                           | 39.3                               |
| Interest-bearing loans and borrowings             | 13           | 15.1                           | 9.9                                |
| Asset retirement obligations                      |              | 3.7                            | 4.1                                |
| Total current liabilities                         |              | 190.6                          | 182.7                              |
| <b>Non-current liabilities</b>                    |              |                                |                                    |
| Other obligations                                 | 11           | 3.7                            | 5.1                                |
| Employee benefits                                 | 12           | 1.5                            | 1.5                                |
| Interest-bearing loans and borrowings             | 13           | 178.0                          | 166.6                              |
| Derivatives and other financial liabilities       | 14           | 3.3                            | -                                  |
| Deferred tax liabilities                          | 8            | 3.3                            | 6.1                                |
| Asset retirement obligations                      |              | 88.3                           | 96.3                               |
| Total non-current liabilities                     |              | 278.1                          | 275.6                              |
| <b>TOTAL LIABILITIES</b>                          |              | <b>468.7</b>                   | <b>458.3</b>                       |
| <b>SHAREHOLDERS' EQUITY</b>                       |              |                                |                                    |
| Share capital                                     | 15           | 1,106.9                        | 1,099.0                            |
| Retained earnings                                 |              | 404.2                          | 382.8                              |
| Contributed surplus                               | 18           | 46.1                           | 50.2                               |
| Other reserves                                    | 19           | 23.9                           | 34.7                               |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                 |              | <b>1,581.1</b>                 | <b>1,566.7</b>                     |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> |              | <b>2,049.8</b>                 | <b>2,025.0</b>                     |

On behalf of the Board of Directors:



Ian M. Reid  
Director  
July 25, 2019



Paul B. Sweeney  
Director  
July 25, 2019

The accompanying notes to the interim condensed consolidated financial statements are an integral part of these financial statements.

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**For the quarter ended June 30, 2019**

| <i>(in millions of United States dollars, except per share data)</i>                              |              |                           |                |                         |                |
|---------------------------------------------------------------------------------------------------|--------------|---------------------------|----------------|-------------------------|----------------|
|                                                                                                   | <i>Notes</i> | <i>Three months ended</i> |                | <i>Six months ended</i> |                |
|                                                                                                   |              | <i>June 30</i>            | <i>June 30</i> | <i>June 30</i>          | <i>June 30</i> |
|                                                                                                   |              | <i>2019</i>               | <i>2018</i>    | <i>2019</i>             | <i>2018</i>    |
|                                                                                                   |              | <i>\$</i>                 | <i>\$</i>      | <i>\$</i>               | <i>\$</i>      |
| <b>Revenue</b>                                                                                    | 4            | 186.0                     | 205.7          | 365.5                   | 402.4          |
| Cost of sales, excluding depreciation and amortisation                                            |              | (99.7)                    | (83.3)         | (200.7)                 | (168.0)        |
| Depreciation and amortisation                                                                     |              | (41.7)                    | (47.7)         | (82.1)                  | (99.1)         |
| General and administration - indirect taxes                                                       |              | (4.5)                     | (2.8)          | (7.3)                   | (4.9)          |
| General and administration - other                                                                |              | (11.9)                    | (12.7)         | (23.5)                  | (22.9)         |
| Operating profit                                                                                  |              | 28.2                      | 59.2           | 51.9                    | 107.5          |
| <b>Other income/(expenses)</b>                                                                    |              |                           |                |                         |                |
| Interest expense and finance costs                                                                |              | (3.8)                     | (4.2)          | (7.6)                   | (8.2)          |
| Foreign exchange gain/(loss)                                                                      |              | 0.2                       | 1.3            | -                       | 1.9            |
| Gain/(loss) on disposal of property, plant and equipment                                          |              | 0.3                       | 0.2            | 0.2                     | 0.7            |
| Gain/(loss) on fair value of financial assets                                                     |              | 0.1                       | -              | 0.2                     | (0.1)          |
| Total other expenses                                                                              |              | (3.2)                     | (2.7)          | (7.2)                   | (5.7)          |
| Gain/(loss) on fair value of undesignated hedges                                                  |              | (9.5)                     | -              | (8.1)                   | 6.0            |
| Interest income                                                                                   |              | 0.3                       | 0.5            | 0.5                     | 0.7            |
| Other income/(expense)                                                                            |              | 0.2                       | 1.4            | 0.7                     | 1.7            |
| Share of profit/(loss) from equity accounted associates                                           |              | -                         | (0.1)          | -                       | (0.2)          |
| Write off deferred exploration expenditure/investment                                             |              | -                         | (2.9)          | (4.6)                   | (2.9)          |
| Profit before income tax                                                                          |              | 16.0                      | 55.4           | 33.2                    | 107.1          |
| Income tax benefit/(expense)                                                                      |              | (0.7)                     | (10.8)         | (5.5)                   | (18.0)         |
| <b>Net profit</b>                                                                                 |              | <b>15.3</b>               | <b>44.6</b>    | <b>27.7</b>             | <b>89.1</b>    |
| <b>Other comprehensive income/(loss)</b>                                                          |              |                           |                |                         |                |
| <i>Items that has been/may be reclassified to profit or loss</i>                                  |              |                           |                |                         |                |
| Currency translation gain/(loss)                                                                  |              | (0.8)                     | (13.0)         | 2.6                     | (13.4)         |
| <i>Items that will not be reclassified to profit or loss</i>                                      |              |                           |                |                         |                |
| Net change in the fair value of financial assets at fair value through other comprehensive income |              | (2.7)                     | (8.0)          | (13.4)                  | (11.7)         |
| Total other comprehensive income/(loss) net of tax                                                |              | (3.5)                     | (21.0)         | (10.8)                  | (25.1)         |
| <b>Comprehensive income attributable to shareholders</b>                                          |              | <b>11.8</b>               | <b>23.6</b>    | <b>16.9</b>             | <b>64.0</b>    |
| <b>Net earnings per share:</b>                                                                    |              |                           |                |                         |                |
| - Basic                                                                                           | 22           | \$0.02                    | \$0.07         | \$0.04                  | \$0.14         |
| - Diluted                                                                                         | 22           | \$0.02                    | \$0.07         | \$0.04                  | \$0.14         |

The accompanying notes to the interim condensed consolidated financial statements are an integral part of these financial statements.

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**For the quarter ended June 30, 2019**

*(in millions of United States dollars)*

|                                            | <i>Share<br/>Capital</i> | <i>Contributed<br/>Surplus</i> | <i>Other<br/>Reserves</i> | <i>Retained<br/>Earnings</i> | <i>Total Equity</i> |
|--------------------------------------------|--------------------------|--------------------------------|---------------------------|------------------------------|---------------------|
|                                            | \$                       | \$                             | \$                        | \$                           | \$                  |
| <b>Balance at January 1, 2019</b>          | <b>1,099.0</b>           | <b>50.2</b>                    | <b>34.7</b>               | <b>382.8</b>                 | <b>1,566.7</b>      |
| Comprehensive income/(loss) for the period | -                        | -                              | (10.8)                    | 27.7                         | 16.9                |
| Employee share options:                    |                          |                                |                           |                              |                     |
| Share based payments                       | -                        | 3.2                            | -                         | -                            | 3.2                 |
| Exercise of options                        | 7.9                      | (7.3)                          | -                         | -                            | 0.6                 |
| Dividends provided for or paid             | -                        | -                              | -                         | (6.3)                        | (6.3)               |
| <b>Balance at June 30, 2019</b>            | <b>1,106.9</b>           | <b>46.1</b>                    | <b>23.9</b>               | <b>404.2</b>                 | <b>1,581.1</b>      |
| <b>Balance at January 1, 2018</b>          | <b>1,093.8</b>           | <b>45.3</b>                    | <b>71.5</b>               | <b>280.3</b>                 | <b>1,490.9</b>      |
| Adjustment on adoption of IFRS 15          | -                        | -                              | -                         | (0.6)                        | (0.6)               |
| Comprehensive income/(loss) for the period | -                        | -                              | (25.1)                    | 89.1                         | 64.0                |
| Employee share options:                    |                          |                                |                           |                              |                     |
| Share based payments                       | -                        | 3.3                            | -                         | -                            | 3.3                 |
| Forfeiture of options                      | -                        | (0.1)                          | -                         | -                            | (0.1)               |
| Exercise of options                        | 2.7                      | (1.7)                          | -                         | -                            | 1.0                 |
| Dividends provided for or paid             | -                        | -                              | -                         | (6.2)                        | (6.2)               |
| <b>Balance at June 30, 2018</b>            | <b>1,096.5</b>           | <b>46.8</b>                    | <b>46.4</b>               | <b>362.6</b>                 | <b>1,552.3</b>      |

The accompanying notes to the interim condensed consolidated financial statements are an integral part of these financial statements.

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**For the quarter ended June 30, 2019**

| <i>(in millions of United States dollars)</i>               | <i>Three months ended</i> |                | <i>Six months ended</i> |                |
|-------------------------------------------------------------|---------------------------|----------------|-------------------------|----------------|
|                                                             | <i>June 30</i>            | <i>June 30</i> | <i>June 30</i>          | <i>June 30</i> |
|                                                             | <i>2019</i>               | <i>2018</i>    | <i>2019</i>             | <i>2018</i>    |
|                                                             | \$                        | \$             | \$                      | \$             |
| <b>Operating activities</b>                                 |                           |                |                         |                |
| Net profit/(loss)                                           | 15.3                      | 44.6           | 27.7                    | 89.1           |
| <i>Charges/(credits) not affecting cash</i>                 |                           |                |                         |                |
| Adjustment on adoption of IFRS 15                           | -                         | -              | -                       | (0.6)          |
| Depreciation and amortisation expense                       | 41.7                      | 47.7           | 82.1                    | 97.4           |
| Net (gain)/loss on disposal of property, plant & equipment  | (0.1)                     | (0.2)          | -                       | (0.7)          |
| Unrealised foreign exchange (gain)/loss                     | (0.2)                     | (1.3)          | -                       | (1.9)          |
| Stock based compensation charge                             | 1.3                       | 1.5            | 3.2                     | 3.2            |
| Unrealised (gain)/loss on fair value of undesignated hedges | 9.5                       | -              | 8.1                     | (6.0)          |
| Amortisation of transaction costs/ write off                | 0.2                       | -              | 0.4                     | -              |
| Income tax expense/(benefit)                                | 0.7                       | 10.8           | 5.5                     | 17.8           |
| Non-cash fair value of financial assets (gain)/loss         | (0.1)                     | -              | (0.2)                   | 0.1            |
| Share of (profit)/loss of equity accounted associates       | -                         | 0.1            | -                       | 0.2            |
| Write off deferred exploration expenditure/investment       | -                         | 2.9            | 4.6                     | 2.9            |
| <i>Changes in non-cash working capital</i>                  |                           |                |                         |                |
| (Increase)/decrease in trade and other receivables          | 5.3                       | 5.2            | (0.4)                   | 3.8            |
| (Increase)/decrease in inventories                          | 5.7                       | (6.1)          | 3.0                     | (6.7)          |
| (Decrease)/increase in trade and other payables             | 4.7                       | (0.3)          | 5.4                     | (9.2)          |
| (Decrease)/increase in other working capital                | 2.3                       | 0.9            | (0.3)                   | (6.5)          |
| (Decrease)/increase in tax payables                         | (0.1)                     | 3.2            | (13.9)                  | 3.2            |
| Net cash provided by/(used in) operating activities         | 86.2                      | 109.0          | 125.2                   | 186.1          |
| <b>Investing activities</b>                                 |                           |                |                         |                |
| Payment for investments                                     | -                         | -              | -                       | (4.3)          |
| Proceeds from sale of property, plant and equipment         | 0.3                       | 0.2            | 0.4                     | 0.6            |
| Payment for property, plant and equipment                   | (14.2)                    | (6.7)          | (24.4)                  | (11.8)         |
| Payment for mining assets: exploration and evaluation       | (7.5)                     | (7.5)          | (15.8)                  | (13.1)         |
| Payment for mining assets: development                      | (14.5)                    | (19.2)         | (32.1)                  | (40.6)         |
| Payment for mining assets: in production                    | (40.2)                    | (26.8)         | (62.1)                  | (49.9)         |
| Net cash provided by/(used in) investing activities         | (76.1)                    | (60.0)         | (134.0)                 | (119.1)        |
| <b>Financing activities</b>                                 |                           |                |                         |                |
| Proceeds from issue of shares                               | -                         | 0.5            | 0.6                     | 1.0            |
| Repayment of lease liabilities                              | (3.8)                     | (2.6)          | (7.0)                   | (7.5)          |
| Dividends paid to shareholders                              | (6.3)                     | (6.2)          | (6.3)                   | (6.2)          |
| Net cash provided by/(used in) financing activities         | (10.1)                    | (8.3)          | (12.7)                  | (12.7)         |
| Effect of exchange rates changes on cash gain/(loss)        | (1.8)                     | (0.9)          | (1.5)                   | 1.4            |
| Net increase/(decrease) in cash and cash equivalents        | (1.8)                     | 39.8           | (23.0)                  | 55.7           |
| Cash and cash equivalents at the beginning of the period    | 86.5                      | 89.1           | 107.7                   | 73.2           |
| Cash and cash equivalents at the end of the period          | 84.7                      | 128.9          | 84.7                    | 128.9          |
| <b>Cash interest paid</b>                                   | (1.1)                     | (3.2)          | (3.9)                   | (6.0)          |
| <b>Cash interest received</b>                               | 0.3                       | 0.5            | 0.5                     | 0.7            |
| <b>Income taxes paid</b>                                    | (0.1)                     | (0.7)          | (13.9)                  | (0.7)          |

The accompanying notes to the interim condensed consolidated financial statements are an integral part of these financial statements.

## 1 BASIS OF PREPARATION

OceanaGold Corporation ("OceanaGold") ("The Company") is a company domiciled in Canada. It is listed on the Toronto Stock Exchange and the Australian Securities Exchange. The registered address of the Company is c/o Fasken Martineau DuMoulin LLP, 2900-550 Burrard Street, Vancouver, British Columbia V6C 0A3, Canada. The Company is the ultimate parent, and together with its subsidiaries, forms the OceanaGold Corporation consolidated group (the "Group").

The Group is engaged in the exploration, development and operation of gold and other mineral mining activities. OceanaGold operates one open cut gold mine and two underground mines in New Zealand. The Group also operates an underground operation at Didipio in the Philippines and one open cut gold mine at Haile in South Carolina, United States.

The Group prepares its unaudited interim condensed consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), as applicable to the preparation of interim condensed financial statements including IAS 34. The policies applied are based on IFRS issued and outstanding as of the day the Board of Directors approved the statements. These interim condensed financial statements do not include all of the notes of the type normally included in an annual financial report and hence should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2018, as they provide an update of previously reported information.

These interim condensed financial statements are expressed in United States dollars ("US\$") which is the presentation currency for OceanaGold Corporation.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as noted in Note 2 below.

The unaudited interim condensed consolidated financial statements were approved by the Board of Directors on July 25, 2019.

## 2 ACCOUNTING POLICIES

The Group adopted the following accounting standard 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 using 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.

The Group applied the new standard IFRS 16 using the "Modified Retrospective" approach which recognises the cumulative effect of initial application as an adjustment to the opening balance of Retained Earnings at January 1, 2019, without having to adjust comparatives in the current year reporting. Since the Group recognised the right-of-use assets at the amount equal to the lease liabilities, there is no impact on Retained Earnings.

The Group elected to use the practical expedient to not recognise a right-of-use asset or a lease liability for leases for which the lease term ends within 12 months of the date of initial application. The Group has also elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. Options (extension/termination) on lease contracts are assessed on a case by case basis. The weighted average incremental borrowing rate at the date of initial application was 4.5%. This has been applied to the liabilities recognised at the date of initial application where there is no implicit rate.

|                                                                                                                                                                                         |             |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Reconciliation of lease commitments under non-cancellable operating leases disclosed as at December 31, 2018 and lease liabilities recognised on January 1, 2019 upon applying IFRS 16: | 2019<br>\$m |
| Operating lease commitments disclosed as at December 31, 2018                                                                                                                           | 9.1         |
| Add: contracts recognised for the first time as at January 1, 2019                                                                                                                      | 6.5         |
| (Less): short-term leases recognised on a straight-line basis as expense                                                                                                                | (0.1)       |
| (Less): low value leases recognised on a straight-line basis as expense                                                                                                                 | (0.1)       |
| Add/(less): adjustments relating to foreign exchange rates                                                                                                                              | 0.1         |
| Discounted using the group's incremental borrowing rate of 4.5%                                                                                                                         | (3.1)       |
| Lease liabilities recognised on applying IFRS 16                                                                                                                                        | 12.4        |
| Add: finance lease liabilities recognised as at 31 December 2018                                                                                                                        | 26.5        |
| Lease liabilities recognised as at January 1, 2019                                                                                                                                      | 38.9        |

## **2 ACCOUNTING POLICIES (CONTINUED)**

As of January 1, 2019, the Group had \$45.5m of right-of-use leased assets and \$38.9m lease liabilities. This includes leases that were classified as 'finance leases' under the then prevailing IAS 17 Leases. Those 'finance leases' had a net book value of \$33.1m assets and \$26.5m lease liabilities as at December 31, 2018. More details are available in Note 9 and Note 13.

The adoption of IFRS 16 had no material impact on the Group Statement of Comprehensive Income and Group Cash Flow Statement in the first six months period ended June 30, 2019. IFRS 16 was overall cash flow neutral for the Group. Expenses relating to short-term leases and leases of low-value assets were immaterial for the period.

There are no IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

## **3 CRITICAL ESTIMATES AND JUDGEMENTS**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### *(i) Mining assets*

The future recoverability of mining assets (Note 10) including capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides and is permitted to exploit the related tenements themselves or, if not, whether it successfully recovers the related mining assets through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations), changes to commodity prices and foreign exchange rates, and renewal of contracts, licences and permits.

Exploration and evaluation expenditure (Note 10) is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

The Group defers mining costs incurred during the production stage of its operations and these are amortised over the life of the components of the ore body to which they relate. Changes in an individual mine's design will result in changes to the life of component ratios of production. Changes in other technical or economic parameters that impact reserves will also have an impact on the life of component production and cost profile even if they do not affect the mine design. Changes to deferred mining resulting from change in life of component ratios are accounted for prospectively.

### *(ii) Impairment of assets*

The Group assesses each Cash-Generating Unit (CGU), to determine whether there is any indication of impairment or reversal of impairment. Where an indicator of impairment or reversal exists, a formal estimate of the recoverable amount is made, which is the higher of the fair value less costs to sell and value in use calculated in accordance with accounting policy. These assessments require the use of estimates and assumptions such as discount rates, exchange rates, commodity prices (gold, copper, silver and tungsten), sustaining capital requirements, operating performance (including the magnitude and timing of related cash flows), and future operating development from certain identified exploration targets where there is higher degree of confidence in the economic extraction of minerals.

The recoverable amount of exploration assets is dependent on various factors including technical studies, further exploration, and the eventual grant of mining permits. Should these be unsuccessful, the exploration assets could be impaired.

### **3 CRITICAL ESTIMATES AND JUDGEMENTS (CONTINUED)**

On February 2, 2017, the Philippines Department of Environment and Natural Resources ("DENR") held a press conference at which OceanaGold's Didipio operation was named as the subject of a proposed suspension order citing alleged declining agricultural production. On February 14, 2017, the Company received an order from the DENR calling for the suspension of the Didipio operation citing "... petition of the Local Government of Nueva Vizcaya for the cancellation of the Financial or Technical Assistance Agreement ("FTAA"); alleged damages to houses caused by the blasting operation; and the potential adverse impact to the agricultural areas of the Province..." as reasons for the decision. Subsequent to receiving the suspension order, the Company filed an appeal with the Office of the President ("OP"), which has the effect of immediately staying the execution of the DENR suspension order. On March 15, 2017, the Company filed the Appeal Memorandum with the OP substantiating its grounds for appeal. The DENR filed its commentary to the Company's Memorandum on or around May 8, 2017, and the Company subsequently filed a further reply to the DENR commentary. The matter is currently awaiting a decision from the OP. The Didipio operation has continued to operate during the appeal process.

As detailed in Note 20, the FTAA was granted in June 1994 for an initial term of 25 years and is renewable for a further period of 25 years under the same terms and conditions. The company has applied for renewal of the FTAA and is working with the Government of the Philippines on the renewal.

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.

#### *(iii) Net realisable value of inventories*

The Group reviews the carrying value of its inventories (Note 7) at each reporting date to ensure that the cost does not exceed net realisable value. Estimates of net realisable value include a number of assumptions and estimates, including grade of ore, commodity price forecasts, foreign exchange rates and costs to process inventories to a saleable product.

#### *(iv) Asset retirement obligations*

Decommissioning and restoration costs are a normal consequence of mining, and the majority of this expenditure is incurred at the end of a mine's life. In determining an appropriate level of provision, consideration is given to the expected future costs to be incurred in respect of nature of planned rehabilitation work and the timing of these expected future costs (largely dependent on the life of the mine).

The ultimate cost of decommissioning and restoration is uncertain and costs can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques and experience at other mine sites. The expected timing of expenditure can also change, for example, in response to changes in reserves or to production rates.

Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results. These estimates are reviewed annually and adjusted where necessary to ensure that the most up to date data is used.

#### *(v) Determination of ore reserves and resources*

Ore reserves and resources are based on information compiled by a Competent Person as defined in accordance with the Australasian Code of Mineral Resources and Ore Reserves (the JORC code) and in accordance with National Instrument 43-101-Standards of Disclosure for Mineral Projects ("NI-43-101") under the guidelines set out by the Canadian Institute of Mining, Metallurgy and Petroleum. There are numerous uncertainties inherent in estimating ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values and provisions for rehabilitation.

#### *(vi) Taxation*

The Group's accounting policy for taxation requires management's judgement in relation to the application of income tax legislation. There may be some transactions and calculations undertaken during the ordinary course of business where the ultimate tax determination is uncertain. The Group recognises liabilities for tax, and if appropriate, taxation investigation or audit issues, based on whether tax will be due and payable, and if there is no more recourse to an appeal process. Liabilities are not recognised until they are determined with reasonable certainty. Where the taxation outcome of such matters is different from the amount initially recorded, such difference will impact the current and deferred tax positions in the period in which the assessment is made.

In addition, certain deferred tax assets for deductible temporary differences and carried forward taxation losses have been recognised. In recognising these deferred tax assets, assumptions have been made regarding the Group's ability to generate future taxable profits from current operations after reaching commercial production and successful development of certain identified exploration targets where there are higher degrees of confidence in the economic extraction of minerals.

Utilisation of the tax losses also depends on the ability of the entity to satisfy certain tests such as substantial change of control tests at the time the losses are recouped. If the entities fail to satisfy the tests, the carried forward losses that are currently recognised as deferred tax assets would have to be written off to income tax expense. There is an inherent risk and uncertainty in applying this judgement and a possibility that changes in legislation or corporate merger and acquisition activity will impact upon the carrying amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position. Deferred taxes are disclosed within Note 8 to the financial statements.

### **3 CRITICAL ESTIMATES AND JUDGEMENTS (CONTINUED)**

Moreover, in certain jurisdictions, tax losses may be restricted and only available to offset future profits generated from the same mining permit area. In this case, the recovery of the losses depends on the successful exploitation of the relevant project. Restricted losses could be forfeited if the project did not proceed. Disclosure of taxation is included in Note 8.

Certain input tax credits in overseas subsidiaries have been recognised as a non-current receivable (Note 5). The input tax credits are initially measured at cost, based on the interpretation of the terms and conditions of the relevant tax and investment law which allow for the recoverability of input taxes paid.

In assessing the classification and recoverability of these input tax credits, the Group makes a number of assumptions which are subject to risk and uncertainty including the timing and likelihood of success in working through the required legal process in the relevant jurisdiction. The Group views these input tax credits as recoverable via a tax refund or an income tax credit. Should management determine that, all or some of the input tax will not be recoverable via tax refund or credit in the future, the Group would reclassify eligible amounts to other components of non-current assets as allowable under the relevant accounting standard. Non-eligible amounts, where so determined, may have to be expensed.

Excise tax payments have been made in certain overseas tax jurisdictions despite the Company's view that up to March 31, 2018 it should be exempt. These amounts are expected to be recovered in due course, and have therefore been recorded as a non-current receivable (Note 5). Should the amounts ultimately not be recovered, they would be expensed.

#### *(vii) Non-Controlling Interest*

A third party has a contractual right to an 8% interest in the operating vehicle that is formed to undertake the management, development, mining and processing of ore, and marketing of products as part of the Didipio mine in the Philippines. This 8% interest in the common share capital of the operating vehicle has similar voting and dividend rights to the remaining majority, subject to the operating vehicle having fully recovered its pre-operating costs. A subsidiary of the Company is currently involved in arbitration proceedings with the third party over certain payment claims.

At the same time, the third party is also involved in a legal dispute with another party over the ownership of the 8% interest. At June 30, 2019 no equity has been issued to any third party due to the various uncertainties. Consequently, no non-controlling interest has been recognised. A non-controlling interest is intended to be recognised after the issue of shares. This requirement has not yet been satisfied due to, amongst other matters, a court restriction resulting from the litigation challenging the claim of this third party from a party not related to the Group.

**NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(CONTINUED)

#### 4 REVENUE

|                                                        | Three months ended |                | Six months ended |                |
|--------------------------------------------------------|--------------------|----------------|------------------|----------------|
|                                                        | <i>June 30</i>     | <i>June 30</i> | <i>June 30</i>   | <i>June 30</i> |
|                                                        | <i>2019</i>        | <i>2018</i>    | <i>2019</i>      | <i>2018</i>    |
|                                                        | <i>\$m</i>         | <i>\$m</i>     | <i>\$m</i>       | <i>\$m</i>     |
| <b>Gold sales</b>                                      |                    |                |                  |                |
| Bullion                                                | 138.2              | 155.2          | 270.7            | 310.5          |
| Concentrate sales                                      | 28.2               | 25.0           | 54.0             | 45.3           |
| Provisional price adjustment                           | 0.8                | (0.6)          | 1.0              | 0.1            |
|                                                        | <u>167.2</u>       | <u>179.6</u>   | <u>325.7</u>     | <u>355.9</u>   |
| <b>Copper sales</b>                                    |                    |                |                  |                |
| Concentrate sales                                      | 21.4               | 27.6           | 43.5             | 49.8           |
| Provisional price adjustment                           | (0.8)              | 0.3            | -                | (0.6)          |
|                                                        | <u>20.6</u>        | <u>27.9</u>    | <u>43.5</u>      | <u>49.2</u>    |
| <b>Silver sales</b>                                    |                    |                |                  |                |
| Concentrate sales                                      | 1.6                | 2.1            | 2.9              | 4.1            |
|                                                        | <u>1.6</u>         | <u>2.1</u>     | <u>2.9</u>       | <u>4.1</u>     |
| Less concentrate treatment, refining and selling costs | (3.4)              | (3.9)          | (6.6)            | (6.8)          |
| <b>Total Revenue</b>                                   | <u>186.0</u>       | <u>205.7</u>   | <u>365.5</u>     | <u>402.4</u>   |

Realised loss on gold options hedges (Note 14) exercised for the quarter and the six months ended June 30, 2019 amounted to \$0.6 million (June 30, 2018: \$nil). Realised gain or loss on gold options is included within Revenue - Gold sales.

No copper swap was exercised for the quarter and the six months ended June 30, 2019 (June 30, 2018: \$0.5 million gain and \$0.7 million gain, respectively). Realised gain or loss on copper swap is included within Revenue - Copper sales.

#### Provisionally Priced Sales

At June 30, 2019, the provisionally priced gold and copper sales for 10,788 dry metric tonnes of concentrate containing provisional estimates of 14,782 ounces of gold and 2,465 tonnes of copper, subject to final settlement, were recorded at average prices of \$1,411/oz and \$5,967/t, respectively.

#### 5 TRADE AND OTHER RECEIVABLES

|                    | <i>June 30</i> | <i>December 31</i> |
|--------------------|----------------|--------------------|
|                    | <i>2019</i>    | <i>2018</i>        |
|                    | <i>\$m</i>     | <i>\$m</i>         |
| <b>Current</b>     |                |                    |
| Trade receivables  | 11.1           | 12.0               |
| Other receivables  | 7.2            | 9.0                |
|                    | <u>18.3</u>    | <u>21.0</u>        |
| <b>Non-Current</b> |                |                    |
| Other receivables  | 93.2           | 90.7               |
|                    | <u>93.2</u>    | <u>90.7</u>        |

Other receivables mainly consist of \$49.8m (December 31, 2018: \$48.8m) input tax credits and \$31.4m (December 31, 2018: \$31.4m) excise tax recoverable (Refer to Note 3 (vi)), with the remainder related to deposits at bank in support of environmental bonds and carbon tax credits.

## 6 DERIVATIVES AND OTHER FINANCIAL ASSETS

|                                                                       | <i>June 30</i><br>2019<br>\$m | <i>December 31</i><br>2018<br>\$m |
|-----------------------------------------------------------------------|-------------------------------|-----------------------------------|
| <b>Current</b>                                                        |                               |                                   |
| Other assets (1)                                                      | 0.3                           | 0.6                               |
|                                                                       | 0.3                           | 0.6                               |
| <b>Non-Current</b>                                                    |                               |                                   |
| Financial assets at fair value through other comprehensive income (2) | 44.3                          | 55.4                              |
| Convertible debentures (3)                                            | 0.2                           | 0.2                               |
|                                                                       | 44.5                          | 55.6                              |
|                                                                       | 44.8                          | 56.2                              |

- (1) Represents the unamortised portion of upfront fees and other costs incurred in amending US\$ banking facilities. These fees are being amortised to reflect an approximate pattern of consumption over the terms of the facilities.
- (2) Represents the fair value of investments in Gold Standard Ventures Corp. and NuLegacy Gold Corporation which are listed on the Toronto Stock Exchange.
- (3) Represents convertible debentures issued by Locrian Resources Inc. at amortised cost.

## 7 INVENTORIES

|                             | <i>June 30</i><br>2019<br>\$m | <i>December 31</i><br>2018<br>\$m |
|-----------------------------|-------------------------------|-----------------------------------|
| <b>Current</b>              |                               |                                   |
| Gold in circuit             | 16.7                          | 17.3                              |
| Ore - at cost               | 29.9                          | 37.8                              |
| Gold on hand                | 4.4                           | 5.4                               |
| Gold and copper concentrate | 10.9                          | 2.9                               |
| Maintenance stores          | 49.9                          | 45.9                              |
|                             | 111.8                         | 109.3                             |
| <b>Non-Current</b>          |                               |                                   |
| Ore - at cost               | 188.3                         | 193.7                             |
|                             | 188.3                         | 193.7                             |
| Total inventories           | 300.1                         | 303.0                             |

During the quarter, there was no inventory written down (for the year ended December 31, 2018: \$0.2 million).

**NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(CONTINUED)

## 8 DEFERRED INCOME TAX

|                                                             | June 30<br>2019<br>\$m | December 31<br>2018<br>\$m |
|-------------------------------------------------------------|------------------------|----------------------------|
| <b>Deferred income tax</b>                                  |                        |                            |
| Deferred income tax at period end relates to the following: |                        |                            |
| <i>Deferred tax assets</i>                                  |                        |                            |
| Losses available for offset against future taxable income   | 81.6                   | 78.8                       |
| Provisions                                                  | 21.6                   | 19.2                       |
| Accrued expenses                                            | 4.9                    | 4.9                        |
| Mineral property                                            | 12.0                   | 12.0                       |
| Gross deferred tax assets                                   | 120.1                  | 114.9                      |
| Set-off of deferred tax liabilities                         | (95.4)                 | (87.9)                     |
| Net non-current deferred tax assets                         | 24.7                   | 27.0                       |
| <i>Deferred tax liabilities</i>                             |                        |                            |
| Property, plant and equipment                               | (86.3)                 | (83.2)                     |
| Mining assets                                               | (11.8)                 | (10.2)                     |
| Inventories                                                 | (0.6)                  | (0.6)                      |
| Gross deferred tax liabilities                              | (98.7)                 | (94.0)                     |
| Set-off of deferred tax assets                              | 95.4                   | 87.9                       |
| Net non-current deferred tax liabilities                    | (3.3)                  | (6.1)                      |

The income tax paid for the quarter ended June 30, 2019 is \$0.1 million (for the quarter ended June 30, 2018: \$0.7 million).

## 9 PROPERTY, PLANT AND EQUIPMENT

|                                                             | June 30, 2019 |           |                        |                |         |
|-------------------------------------------------------------|---------------|-----------|------------------------|----------------|---------|
|                                                             | Land          | Buildings | Plant and<br>equipment | Rehabilitation | Total   |
|                                                             | \$m           | \$m       | \$m                    | \$m            | \$m     |
| <b>Net book value</b>                                       |               |           |                        |                |         |
| At December 31, 2018:                                       |               |           |                        |                |         |
| Cost                                                        | 60.7          | 101.0     | 1,175.2                | 82.8           | 1,419.7 |
| Accumulated depreciation and impairment                     | -             | (28.7)    | (576.7)                | (50.7)         | (656.1) |
| At December 31, 2018                                        | 60.7          | 72.3      | 598.5                  | 32.1           | 763.6   |
| Movement for the period:                                    |               |           |                        |                |         |
| Additions including Right-of-use assets on adopting IFRS 16 | 6.2           | 0.1       | 43.5                   | -              | 49.8    |
| Revaluation                                                 | -             | -         | -                      | (8.5)          | (8.5)   |
| Transfers                                                   | (7.6)         | 0.6       | 35.0                   | -              | 28.0    |
| Disposals/write-off                                         | (0.3)         | -         | (1.1)                  | -              | (1.4)   |
| Depreciation charge                                         | -             | (2.4)     | (38.6)                 | (1.4)          | (42.4)  |
| Exchange differences                                        | 0.1           | -         | (0.2)                  | 0.2            | 0.1     |
| At June 30, 2019                                            | 59.1          | 70.6      | 637.1                  | 22.4           | 789.2   |
| At June 30, 2019:                                           |               |           |                        |                |         |
| Cost                                                        | 59.1          | 101.8     | 1,251.3                | 74.5           | 1,486.7 |
| Accumulated depreciation and impairment                     | -             | (31.2)    | (614.2)                | (52.1)         | (697.5) |
|                                                             | 59.1          | 70.6      | 637.1                  | 22.4           | 789.2   |

Plant and equipment includes right-of-use assets net of accumulated depreciation of \$50.0 million (December 31, 2018: \$nil). \$39.1million of the right-of-use assets are pledged as security for lease liabilities (Note 13).

## 9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The following table shows the movements in the net book value of right-of-use assets for the six months period ended June 30, 2019:

|                                                                | June 30, 2019 |          |                  |                           |       |
|----------------------------------------------------------------|---------------|----------|------------------|---------------------------|-------|
|                                                                | Properties    | Vehicles | Office equipment | Other plant and equipment | Total |
|                                                                | \$m           | \$m      | \$m              | \$m                       | \$m   |
| <b>Net book value</b>                                          |               |          |                  |                           |       |
| On adoption of IFRS 16                                         | 1.4           | 1.5      | 0.6              | 8.9                       | 12.4  |
| Reclassified from finance leased assets to right-of-use assets | -             | -        | -                | 33.1                      | 33.1  |
| Additions                                                      | 0.1           | 0.2      | -                | 11.0                      | 11.3  |
| Depreciation                                                   | (0.3)         | (0.5)    | (0.1)            | (5.1)                     | (6.0) |
| Transfers                                                      | -             | -        | -                | (0.6)                     | (0.6) |
| Exchange differences                                           | -             | -        | -                | (0.2)                     | (0.2) |
| At June 30, 2019                                               | 1.2           | 1.2      | 0.5              | 47.1                      | 50.0  |

## 10 MINING ASSETS

|                                         | June 30, 2019                    |                   |                     |           |
|-----------------------------------------|----------------------------------|-------------------|---------------------|-----------|
|                                         | Exploration and evaluation phase | Development phase | In production phase | Total     |
|                                         | \$m                              | \$m               | \$m                 | \$m       |
| <b>Net book value</b>                   |                                  |                   |                     |           |
| At December 31, 2018:                   |                                  |                   |                     |           |
| Cost                                    | 75.8                             | 69.7              | 1,650.3             | 1,795.8   |
| Accumulated amortisation and impairment | (4.2)                            | -                 | (1,152.1)           | (1,156.3) |
| At December 31, 2018                    | 71.6                             | 69.7              | 498.2               | 639.5     |
| Movement for the period:                |                                  |                   |                     |           |
| Additions                               | 16.2                             | 31.2              | 66.7                | 114.1     |
| Transfers                               | (2.0)                            | (34.6)            | 8.6                 | (28.0)    |
| Disposals/write-off                     | (4.1)                            | -                 | -                   | (4.1)     |
| Amortisation for the period             | -                                | -                 | (44.6)              | (44.6)    |
| Exchange differences                    | 0.2                              | 0.1               | 0.2                 | 0.5       |
| At June 30, 2019                        | 81.9                             | 66.4              | 529.1               | 677.4     |
| At June 30, 2019:                       |                                  |                   |                     |           |
| Cost                                    | 90.2                             | 66.4              | 1,726.6             | 1,883.2   |
| Accumulated amortisation and impairment | (8.3)                            | -                 | (1,197.5)           | (1,205.8) |
|                                         | 81.9                             | 66.4              | 529.1               | 677.4     |

The recovery of the costs deferred in respect of exploration and evaluation expenditure is dependent upon successful development and commercial exploitation of the respective areas of interest. \$4.1m exploration and evaluation mining assets were written off upon the termination of Options Agreements for La Curva and Claudia Projects with Mirasol during the quarter ended March 31, 2019. The mining assets under development mainly included the underground development, community road projects at Didipio in the Philippines, and the plant optimization at the Haile Gold Mine in the United States.

## 11 OTHER OBLIGATIONS

|                    | <i>June 30</i><br><i>2019</i><br><i>\$m</i> | <i>December 31</i><br><i>2018</i><br><i>\$m</i> |
|--------------------|---------------------------------------------|-------------------------------------------------|
| <b>Non-Current</b> |                                             |                                                 |
| Other obligations  | 3.7                                         | 5.1                                             |
|                    | <u>3.7</u>                                  | <u>5.1</u>                                      |

Other obligations mainly consist of an endowment of \$3.5 million (December 31, 2018: \$4.9 million) for maintenance and management of the properties under the mitigation plan related to all permits for the Haile Gold mine.

## 12 EMPLOYEE BENEFITS

Aggregate employee benefit liability is comprised of:

### (a) Current

|                                 | <i>June 30</i><br><i>2019</i><br><i>\$m</i> | <i>December 31</i><br><i>2018</i><br><i>\$m</i> |
|---------------------------------|---------------------------------------------|-------------------------------------------------|
| Leave entitlements liability    | 11.4                                        | 11.2                                            |
| Cash-settled Deferred Unit Plan | 0.3                                         | 0.2                                             |
|                                 | <u>11.7</u>                                 | <u>11.4</u>                                     |

### (b) Non-current

|                                 |            |            |
|---------------------------------|------------|------------|
| Leave entitlements liability    | 1.3        | 1.3        |
| Cash-settled Deferred Unit Plan | 0.2        | 0.2        |
|                                 | <u>1.5</u> | <u>1.5</u> |

### (c) Defined contribution plans

The Group has defined contribution pension plans for certain groups of employees. The Group's share of contributions to these plans is recognised in the Statement of Comprehensive Income in the year it is earned by the employee.

## 13 INTEREST-BEARING LOANS AND BORROWINGS

|                             | <i>June 30</i><br><i>2019</i><br><i>\$m</i> | <i>December 31</i><br><i>2018</i><br><i>\$m</i> |
|-----------------------------|---------------------------------------------|-------------------------------------------------|
| <b>Current</b>              |                                             |                                                 |
| Lease liabilities (1)       | 15.1                                        | 9.9                                             |
|                             | <u>15.1</u>                                 | <u>9.9</u>                                      |
| <b>Non-Current</b>          |                                             |                                                 |
| Lease liabilities (1)       | 28.0                                        | 16.6                                            |
| US\$ banking facilities (2) | 150.0                                       | 150.0                                           |
|                             | <u>178.0</u>                                | <u>166.6</u>                                    |

### (1) Leases liabilities

The lease liability is measured at the present value of the fixed and variable lease payments net of cash lease incentives that are not paid at the balance date. Lease payments are apportioned between the finance charges and reduction of the lease liability using the incremental borrowing rate implicit in the lease where available or the Group's incremental borrowing rate to achieve a constant rate of interest on the remaining balance of the liability.

### 13 INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

(2) *US\$ banking facilities*

On June 29, 2018, the Group amended its loan facility with the Group's banking syndicate and decreased its overall credit facilities to \$220.0 million. The facilities are with a multi-national group of banks and mature on December 31, 2020. The facilities stepped down to \$200.0 million as at December 31, 2018 and will step down to \$150.0 million as at December 31, 2019. At June 30, 2019, those facilities stood at \$200.0 million with \$150.0 million drawn and \$50.0 million undrawn.

#### Assets pledged

As security for the Group's banking facilities, the Group's banking syndicate have been granted real property mortgages over titles relevant to the New Zealand and United States mines. They also have the ability to enter into real property and chattel mortgages in respect of the Didipio mine, and be assigned the Financial or Technical Assistance Agreement, subject to the requirements of applicable laws. Furthermore, certain subsidiaries of the Group have granted security in favour of the banking syndicate over their assets which include shares that they own in various other subsidiaries of the Group.

### 14 DERIVATIVES AND OTHER FINANCIAL LIABILITIES

|                       | June 30<br>2019<br>\$m | December 31<br>2018<br>\$m |
|-----------------------|------------------------|----------------------------|
| <b>Current</b>        |                        |                            |
| Gold put/call options | 7.3                    | 2.3                        |
|                       | <u>7.3</u>             | <u>2.3</u>                 |
| <b>Non-Current</b>    |                        |                            |
| Gold put/call options | 3.3                    | -                          |
|                       | <u>3.3</u>             | <u>-</u>                   |

In the quarter ended June 30, 2019, the Company entered into new undesignated gold hedges to cover 118,800 ounces of future gold production from New Zealand mines from January 1, 2020 to December 31, 2020. The total volume is to be settled in equal monthly instalments across 2020.

At June 30, 2019, this represents six series of bought gold put options with price range from NZ\$1,810 to NZ\$2,000 per ounce and six series of sold gold call options with price range from NZ\$2,000 to NZ\$2,100 per ounce. At June 30, 2019, 203,400 ounces of gold options remained outstanding. These gold options are undesignated for hedge accounting purposes and accounted at fair value through the Statement of Comprehensive Income.

At December 31, 2018, this represented three series of bought gold put options with average price of NZ\$1,813 per ounce and three series of sold gold call options with average price of NZ\$2,000 per ounce. At December 31, 2018, 169,200 ounces of gold options remained outstanding.

| Put options<br>Strike price NZ\$ | Call options<br>Strike price NZ\$ | Ounces of gold<br>outstanding at<br>June 30, 2019 | Ounces of gold<br>outstanding at<br>December 31, 2018 | Expiring      |
|----------------------------------|-----------------------------------|---------------------------------------------------|-------------------------------------------------------|---------------|
| 1,810                            | 2,000                             | 28,200                                            | 56,400                                                | December 2019 |
| 1,811                            | 2,000                             | 28,200                                            | 56,400                                                | December 2019 |
| 1,819                            | 2,000                             | 28,200                                            | 56,400                                                | December 2019 |
| 2,000                            | 2,100                             | 39,600                                            | -                                                     | December 2020 |
| 2,000                            | 2,100                             | 39,600                                            | -                                                     | December 2020 |
| 2,000                            | 2,100                             | 39,600                                            | -                                                     | December 2020 |

## 15 SHARE CAPITAL

### Movement in common shares on issue

|                                        | <i>June 30<br/>2019<br/>Million<br/>shares</i> | <i>June 30<br/>2019<br/>\$m</i> | <i>December 31<br/>2018<br/>Million<br/>shares</i> | <i>December 31<br/>2018<br/>\$m</i> |
|----------------------------------------|------------------------------------------------|---------------------------------|----------------------------------------------------|-------------------------------------|
| Balance at the beginning of the period | 618.6                                          | 1,099.0                         | 615.9                                              | 1,093.8                             |
| Options exercised                      | 3.7                                            | 7.9                             | 2.7                                                | 5.2                                 |
| Balance at the end of the period       | 622.3                                          | 1,106.9                         | 618.6                                              | 1,099.0                             |

Common shares holders have the right to receive dividends as declared and, in the event of the winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Common shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Common shares have no par value and are all fully paid. The Company has not established a maximum number for authorised shares.

Each CHESS Depository Interests ("CDIs") represents a beneficial interest in a common share in the Company. CDI holders have the same rights as holders of common shares except that they must confirm their voting intentions by proxy before the meeting of the Company.

A potential non-controlling interest is referred to in Note 3(vii) and Note 24(a).

The Company has share option and rights schemes under which options and rights to subscribe for the Company's shares have been granted to executives and management.

**NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(CONTINUED)

**16 SEGMENT INFORMATION**

The Group's operations are managed on a regional basis. The three reportable segments are New Zealand, the Philippines and the United States. The business segments presented below reflect the management structure of the Group and the way in which the Group's management reviews business performance. The Group sells its gold bullion to a mint in Australia and a refiner in the United States, and sells its gold-copper concentrate to a commodity trader in Singapore. Gold bullion is produced in New Zealand, the Philippines and the United States and gold-copper concentrate is produced in the Philippines.

|                                                                                         | New Zealand | Philippines | United States | All other<br>segments | Elimination  | Total              |
|-----------------------------------------------------------------------------------------|-------------|-------------|---------------|-----------------------|--------------|--------------------|
|                                                                                         | \$m         | \$m         | \$m           | \$m                   | \$m          | \$m                |
| <b>Quarter ended June 30, 2019</b>                                                      |             |             |               |                       |              |                    |
| <b>Revenue</b>                                                                          |             |             |               |                       |              |                    |
| Sales to external customers                                                             | 78.7        | 62.2        | 45.1          | -                     | -            | 186.0              |
| Inter segment management and gold handling fees                                         | -           | -           | -             | 5.5                   | (5.5)        | -                  |
| Total segment revenue                                                                   | <u>78.7</u> | <u>62.2</u> | <u>45.1</u>   | <u>5.5</u>            | <u>(5.5)</u> | <u>186.0</u>       |
| <b>Result</b>                                                                           |             |             |               |                       |              |                    |
| Segment result excluding unrealised hedge gains/(losses), depreciation and amortisation | 32.8        | 26.1        | 19.5          | (7.7)                 | -            | 70.7               |
| Depreciation and amortisation                                                           | (18.2)      | (12.3)      | (10.8)        | (0.4)                 | -            | (41.7)             |
| Inter segment management and gold handling fees                                         | (2.1)       | (1.9)       | (1.5)         | -                     | 5.5          | -                  |
| Gain/(loss) on fair value of derivative instruments                                     | (9.5)       | -           | -             | -                     | -            | (9.5)              |
| Total segment result before interest and tax                                            | <u>3.0</u>  | <u>11.9</u> | <u>7.2</u>    | <u>(8.1)</u>          | <u>5.5</u>   | <u>19.5</u>        |
| Net interest expense                                                                    |             |             |               |                       |              | (3.5)              |
| Income tax (expense)/benefit                                                            |             |             |               |                       |              | <u>(0.7)</u>       |
| Net profit/(loss) for the period                                                        |             |             |               |                       |              | <u><u>15.3</u></u> |

**NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(CONTINUED)

**16 SEGMENT INFORMATION (CONTINUED)**

|                                                                                                  | New Zealand | Philippines | United States | All other<br>segments | Elimination | Total   |
|--------------------------------------------------------------------------------------------------|-------------|-------------|---------------|-----------------------|-------------|---------|
|                                                                                                  | \$m         | \$m         | \$m           | \$m                   | \$m         | \$m     |
| <b>Six months ended June 30, 2019</b>                                                            |             |             |               |                       |             |         |
| <b>Revenue</b>                                                                                   |             |             |               |                       |             |         |
| Sales to external customers                                                                      | 166.8       | 121.1       | 77.6          | -                     | -           | 365.5   |
| Inter segment management and gold handling fees                                                  | -           | -           | -             | 11.1                  | (11.1)      | -       |
| Total segment revenue                                                                            | 166.8       | 121.1       | 77.6          | 11.1                  | (11.1)      | 365.5   |
| <b>Result</b>                                                                                    |             |             |               |                       |             |         |
| Segment result excluding unrealised hedge gains/(losses), depreciation and amortisation          | 76.9        | 52.4        | 21.6          | (15.8)                | -           | 135.1   |
| Depreciation and amortisation                                                                    | (35.6)      | (24.4)      | (21.3)        | (0.8)                 | -           | (82.1)  |
| Inter segment management and gold handling fees                                                  | (4.3)       | (3.8)       | (3.0)         | -                     | 11.1        | -       |
| Gain/(loss) on fair value of derivative instruments                                              | (8.1)       | -           | -             | -                     | -           | (8.1)   |
| Write off deferred exploration expenditure                                                       | -           | -           | -             | (4.6)                 | -           | (4.6)   |
| Total segment result before interest and tax                                                     | 28.9        | 24.2        | (2.7)         | (21.2)                | 11.1        | 40.3    |
| Net interest expense                                                                             |             |             |               |                       |             | (7.1)   |
| Income tax (expense)/benefit                                                                     |             |             |               |                       |             | (5.5)   |
| Net profit/(loss) for the period                                                                 |             |             |               |                       |             | 27.7    |
| <b>Assets</b>                                                                                    |             |             |               |                       |             |         |
| Additions to property, plant, equipment and mining assets for the six months ended June 30, 2019 | 71.9        | 18.9        | 70.8          | 2.3                   | -           | 163.9   |
| Total segment assets as at June 30, 2019                                                         | 316.2       | 808.2       | 857.4         | 68.0                  | -           | 2,049.8 |

**NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(CONTINUED)

**16 SEGMENT INFORMATION (CONTINUED)**

|                                                                                         | New Zealand | Philippines | United States | All other<br>segments | Elimination | Total  |
|-----------------------------------------------------------------------------------------|-------------|-------------|---------------|-----------------------|-------------|--------|
|                                                                                         | \$m         | \$m         | \$m           | \$m                   | \$m         | \$m    |
| <b>Quarter ended June 30, 2018</b>                                                      |             |             |               |                       |             |        |
| <b>Revenue</b>                                                                          |             |             |               |                       |             |        |
| Sales to external customers                                                             | 89.3        | 60.0        | 56.4          | -                     | -           | 205.7  |
| Inter segment management and gold handling fees                                         | -           | -           | -             | 0.1                   | (0.1)       | -      |
| Total segment revenue                                                                   | 89.3        | 60.0        | 56.4          | 0.1                   | (0.1)       | 205.7  |
| <b>Result</b>                                                                           |             |             |               |                       |             |        |
| Segment result excluding unrealised hedge gains/(losses), depreciation and amortisation | 48.4        | 25.1        | 43.4          | (7.2)                 | -           | 109.7  |
| Depreciation and amortisation                                                           | (20.8)      | (14.0)      | (12.6)        | (0.3)                 | -           | (47.7) |
| Inter segment management and gold handling fees                                         | (0.1)       | -           | -             | -                     | 0.1         | -      |
| Gain/(loss) on fair value of derivative instruments                                     | 0.4         | -           | -             | (0.4)                 | -           | -      |
| Write off deferred exploration expenditure                                              | -           | -           | (2.9)         | -                     | -           | (2.9)  |
| Total segment result before interest and tax                                            | 27.9        | 11.1        | 27.9          | (7.9)                 | 0.1         | 59.1   |
| Net interest expense                                                                    |             |             |               |                       |             | (3.7)  |
| Income tax (expense)/benefit                                                            |             |             |               |                       |             | (10.8) |
| Net profit/(loss) for the period                                                        |             |             |               |                       |             | 44.6   |

**NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(CONTINUED)

**16 SEGMENT INFORMATION (CONTINUED)**

|                                                                                                  | New Zealand | Philippines | United States | All other<br>segments | Elimination<br>/Adjustments* | Total   |
|--------------------------------------------------------------------------------------------------|-------------|-------------|---------------|-----------------------|------------------------------|---------|
|                                                                                                  | \$m         | \$m         | \$m           | \$m                   | \$m                          | \$m     |
| <b>Six months ended June 30, 2018</b>                                                            |             |             |               |                       |                              |         |
| <b>Revenue</b>                                                                                   |             |             |               |                       |                              |         |
| Sales to external customers*                                                                     | 174.2       | 122.2       | 100.5         | -                     | 5.5                          | 402.4   |
| Inter segment management and gold handling fees                                                  | -           | -           | -             | 0.2                   | (0.2)                        | -       |
| Total segment revenue                                                                            | 174.2       | 122.2       | 100.5         | 0.2                   | 5.3                          | 402.4   |
| <b>Result</b>                                                                                    |             |             |               |                       |                              |         |
| Segment result excluding unrealised hedge gains/(losses), depreciation and amortisation*         | 89.3        | 63.4        | 70.9          | (15.5)                | 2.5                          | 210.6   |
| Depreciation and amortisation*                                                                   | (48.5)      | (27.1)      | (21.1)        | (0.7)                 | (1.7)                        | (99.1)  |
| Inter segment management and gold handling fees                                                  | (0.2)       | -           | -             | -                     | 0.2                          | -       |
| Gain/(loss) on fair value of derivative instruments                                              | 0.6         | -           | -             | 5.4                   | -                            | 6.0     |
| Write off deferred exploration expenditure                                                       | -           | -           | (2.9)         | -                     | -                            | (2.9)   |
| Total segment result before interest and tax*                                                    | 41.2        | 36.3        | 46.9          | (10.8)                | 1.0                          | 114.6   |
| Net interest expense                                                                             |             |             |               |                       |                              | (7.5)   |
| Income tax (expense)/benefit*                                                                    |             |             |               |                       |                              | (18.0)  |
| Net profit/(loss) for the period                                                                 |             |             |               |                       |                              | 89.1    |
| <b>Assets</b>                                                                                    |             |             |               |                       |                              |         |
| Additions to property, plant, equipment and mining assets for the six months ended June 30, 2018 | 51.7        | 21.2        | 35.4          | 2.3                   | -                            | 110.6   |
| Total segment assets as at June 30, 2018                                                         | 280.9       | 817.0       | 836.1         | 148.2                 | -                            | 2,082.2 |

\*Included adjustment in respect of IFRS 15 adoption from January 1, 2018.

## 17 STOCK-BASED COMPENSATION

### (a) Executive share options plan

The following table reconciles the outstanding share options granted under the executive share option scheme at the beginning and the end of the period:

*WAEP = weighted average exercise price*

|                                             | <i>June 30, 2019</i> |                | <i>December 31, 2018</i> |                |
|---------------------------------------------|----------------------|----------------|--------------------------|----------------|
|                                             | <b>No.</b>           | <b>WAEP</b>    | <b>No.</b>               | <b>WAEP</b>    |
| Outstanding at the start of the period      | 185,729              | A\$2.49        | 840,166                  | A\$2.35        |
| Exercised                                   | (133,333)            | A\$2.49        | (605,374)                | A\$2.29        |
| Expired                                     | (19,063)             | A\$2.68        | (49,063)                 | A\$2.47        |
| <b>Balance at the end of the period</b>     | <b>33,333</b>        | <b>A\$2.40</b> | <b>185,729</b>           | <b>A\$2.49</b> |
| <b>Exercisable at the end of the period</b> | <b>33,333</b>        | <b>A\$2.40</b> | <b>185,729</b>           | <b>A\$2.49</b> |

The share options outstanding at June 30, 2019 had an exercise price of A\$2.40 and a weighted average remaining life of 0.63 year.

### (b) Performance share rights plan

The following table reconciles the outstanding rights granted under the performance share rights plan at the beginning and the end of the period:

*WAEP = weighted average exercise price*

|                                             | <i>June 30, 2019</i> |                | <i>December 31, 2018</i> |                |
|---------------------------------------------|----------------------|----------------|--------------------------|----------------|
|                                             | <b>No.</b>           | <b>WAEP</b>    | <b>No.</b>               | <b>WAEP</b>    |
| Outstanding at the start of the period      | 12,922,011           | A\$0.00        | 9,622,537                | A\$0.00        |
| Granted                                     | 4,011,264            | A\$0.00        | 5,404,751                | A\$0.00        |
| Forfeited                                   | (1,158,228)          | A\$0.00        | (1,038,731)              | A\$0.00        |
| Exercised                                   | (3,402,553)          | A\$0.00        | (1,066,546)              | A\$0.00        |
| <b>Balance at the end of the period</b>     | <b>12,372,494</b>    | <b>A\$0.00</b> | <b>12,922,011</b>        | <b>A\$0.00</b> |
| <b>Exercisable at the end of the period</b> | <b>-</b>             | <b>-</b>       | <b>-</b>                 | <b>-</b>       |

The performance share rights outstanding at June 30, 2019 had an exercise price of A\$0.00 and a weighted average remaining life of 1.80 years.

### (c) Replacement Stock Option plan

The following table reconciles the outstanding options granted under the Replacement Stock Option plan at the beginning and the end of the period:

*WAEP = weighted average exercise price*

|                                             | <i>June 30, 2019</i> |                | <i>December 31, 2018</i> |                |
|---------------------------------------------|----------------------|----------------|--------------------------|----------------|
|                                             | <b>No.</b>           | <b>WAEP</b>    | <b>No.</b>               | <b>WAEP</b>    |
| Outstanding at the start of the period      | 281,991              | C\$2.54        | 1,357,983                | C\$2.73        |
| Exercised                                   | (116,269)            | C\$3.05        | (1,018,490)              | C\$2.77        |
| Expired                                     | -                    | -              | (57,502)                 | C\$2.92        |
| <b>Balance at the end of the period</b>     | <b>165,722</b>       | <b>C\$2.18</b> | <b>281,991</b>           | <b>C\$2.54</b> |
| <b>Exercisable at the end of the period</b> | <b>165,722</b>       | <b>C\$2.18</b> | <b>281,991</b>           | <b>C\$2.54</b> |

## 17 STOCK-BASED COMPENSATION (CONTINUED)

### (c) Replacement Stock Option plan (continued)

The share options outstanding at June 30, 2019 had an exercise price of between C\$2.06 and C\$2.41 and a weighted average remaining life of 0.86 years.

### (d) Deferred Unit Plan ("DUP")

The following table reconciles the outstanding deferred units granted under the deferred unit plan at the beginning and at the end of the period:

|                                             | <i>June 30, 2019</i> | <i>December 31, 2018</i> |
|---------------------------------------------|----------------------|--------------------------|
|                                             | <b>No.</b>           | <b>No.</b>               |
| Outstanding at the start of the period      | 258,701              | 332,735                  |
| Granted                                     | 219,724              | 192,353                  |
| Exercised                                   | (75,456)             | (266,387)                |
| <b>Balance at the end of the period</b>     | <b>402,969</b>       | <b>258,701</b>           |
| <b>Exercisable at the end of the period</b> | <b>50,159</b>        | <b>-</b>                 |

The fair value of the units granted under the Deferred Unit Plan is calculated as the future cash flow and it is re-measured at each reporting date and at the date of settlement. Any changes in fair value are recognised in the Statement of Comprehensive Income for the period with a corresponding increase or decrease in liability. The liability is expensed over the relevant vesting period. At June 30, 2019, the fair value of the units was \$1.0 million and \$0.4 million was expensed.

## 18 CONTRIBUTED SURPLUS MOVEMENT

|                                                 | <i>June 30<br/>2019<br/>\$m</i> | <i>December 31<br/>2018<br/>\$m</i> |
|-------------------------------------------------|---------------------------------|-------------------------------------|
| Balance at the beginning of the period          | 50.2                            | 45.3                                |
| Share based compensation expense                | 3.2                             | 7.1                                 |
| Forfeited options                               | -                               | (0.2)                               |
| Exercised options                               | (7.3)                           | (2.0)                               |
| Balance at the end of the period                | <u>46.1</u>                     | <u>50.2</u>                         |
| <b>Contributed surplus</b>                      |                                 |                                     |
| Employee stock based compensation               | 16.1                            | 20.2                                |
| Shareholder options (lapsed on January 1, 2009) | 18.0                            | 18.0                                |
| Equity portion of convertible notes             | 12.0                            | 12.0                                |
|                                                 | <u>46.1</u>                     | <u>50.2</u>                         |

## 19 OTHER RESERVES

|                                          | <i>June 30<br/>2019<br/>\$m</i> | <i>December 31<br/>2018<br/>\$m</i> |
|------------------------------------------|---------------------------------|-------------------------------------|
| Foreign currency translation reserve (1) | 12.2                            | 9.6                                 |
| Fair value reserve (2)                   | 11.7                            | 25.1                                |
| Total other reserves                     | <u>23.9</u>                     | <u>34.7</u>                         |

### 1 Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

## 19 OTHER RESERVES (CONTINUED)

### 2 Fair value reserve

The fair value reserve is used to record fair value differences on equity instruments (Note 6). When an investment is derecognised prior to January 1, 2018 under the then prevailing IAS39 - Financial Instruments: Recognition and Measurement, the cumulative gain or loss in equity is reclassified to the Statement of Comprehensive Income.

## 20 COMMITMENTS

### Capital commitments

At June 30, 2019, the Group has commitments of \$76.3 million (December 31, 2018: \$17.4 million), principally relating to the purchase of property, plant and equipment mainly in Haile and Didipio, and the development of mining assets in Didipio.

The commitments contracted for at reporting date, but not provided for:

|                                             | June 30<br>2019<br>\$m | December 31<br>2018<br>\$m |
|---------------------------------------------|------------------------|----------------------------|
| Within one year:                            |                        |                            |
| - purchase of property, plant and equipment | 67.1                   | 11.2                       |
| - development of mining assets              | 9.2                    | 6.2                        |
|                                             | <u>76.3</u>            | <u>17.4</u>                |

The above capital commitments exclude contracted commitments which the Group is able to exit without significant fees.

### Other commitments

The Didipio Project is held under a Financial or Technical Assistance Agreement ("FTAA") granted by the Philippines Government in 1994. The FTAA has an initial term of 25 years and is renewable for another period of 25 years under the same terms and conditions in June 2019. The company has commenced the renewal process and lodged an application for the renewal of the FTAA with the Department of Environment and Natural Resources ("DENR") which has been accepted. The regional office of the Mines and Geosciences Bureau (MGB) that was tasked with reviewing the renewal application has endorsed it to the Central Office. The company will continue to work with the Government of the Philippines and the stakeholders and partners to complete the renewal process. The FTAA grants title, exploration and mining rights with a fixed fiscal regime. Under the terms of the FTAA, after a period in which the Group can recover development expenditure, capped at 5 years from the start of production (April 1, 2013) and a further 3 years over which any remaining balance is amortised, the Company is required to pay the Government of the Republic of the Philippines 60% of the "Net Revenue" earned from the Didipio Project. For the purposes of the FTAA, "Net Revenue" is generally the net revenues derived from mining operations, less deductions for, amongst other things, expenses relating to mining, processing, marketing, depreciation and certain specified overheads. In addition, all taxes paid to the Government and certain specified amounts paid to land claim owners are included as part of the calculation of 60% payable.

## 21 FAIR VALUE OF FINANCIAL INSTRUMENTS

### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2). Valuations are obtained from issuing institutions.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| June 30, 2019                               | Level 1<br>\$m | Level 2<br>\$m | Level 3<br>\$m | Total<br>\$m |
|---------------------------------------------|----------------|----------------|----------------|--------------|
| <i>Recurring measurements</i>               |                |                |                |              |
| Derivatives embedded in accounts receivable | -              | 1.1            | -              | 1.1          |
| Equity instruments                          | 44.3           | -              | -              | 44.3         |
| Total assets                                | <u>44.3</u>    | <u>1.1</u>     | <u>-</u>       | <u>45.4</u>  |

## 21 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

|                                             | Level 1<br>\$m | Level 2<br>\$m | Level 3<br>\$m | Total<br>\$m |
|---------------------------------------------|----------------|----------------|----------------|--------------|
| Gold put/call options                       | -              | 10.6           | -              | 10.6         |
| Total liabilities                           | -              | 10.6           | -              | 10.6         |
| <b>December 31, 2018</b>                    |                |                |                |              |
|                                             | Level 1<br>\$m | Level 2<br>\$m | Level 3<br>\$m | Total<br>\$m |
| <i>Recurring measurements</i>               |                |                |                |              |
| Derivatives embedded in accounts receivable | -              | (0.6)          | -              | (0.6)        |
| Equity instruments                          | 55.4           | -              | -              | 55.4         |
| Total assets                                | 55.4           | (0.6)          | -              | 54.8         |
| Gold put/call options                       | -              | 2.3            | -              | 2.3          |
| Total liabilities                           | -              | 2.3            | -              | 2.3          |

The fair values of financial assets and liabilities are the same as their carrying amounts.

## 22 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net income for the period attributable to common equity holders of the parent by the weighted average number of common shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding during the period (adjusted for the effects of dilutive options where the conversion to potential common shares would decrease earnings per share).

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

|                                                                                                                                       | <i>Three months ended</i> |                 | <i>Six months ended</i> |                 |
|---------------------------------------------------------------------------------------------------------------------------------------|---------------------------|-----------------|-------------------------|-----------------|
|                                                                                                                                       | <i>June 30</i>            | <i>June 30</i>  | <i>June 30</i>          | <i>June 30</i>  |
|                                                                                                                                       | <i>2019</i>               | <i>2018</i>     | <i>2019</i>             | <i>2018</i>     |
|                                                                                                                                       | <i>\$m</i>                | <i>\$m</i>      | <i>\$m</i>              | <i>\$m</i>      |
| <i>Numerator:</i>                                                                                                                     |                           |                 |                         |                 |
| Net income attributable to equity holders from continuing operations<br>(used in calculation of basic and diluted earnings per share) | 15.3                      | 44.6            | 27.7                    | 89.1            |
|                                                                                                                                       | <i>Millions</i>           | <i>Millions</i> | <i>Millions</i>         | <i>Millions</i> |
| <i>Denominator:</i>                                                                                                                   |                           |                 |                         |                 |
| Weighted average number of common shares<br>(used in calculation of basic earnings per share)                                         | 622.3                     | 617.4           | 621.0                   | 616.8           |
| Effect of dilution:                                                                                                                   |                           |                 |                         |                 |
| Share options                                                                                                                         | 12.5                      | 11.1            | 11.1                    | 9.5             |
| Adjusted weighted average number of common shares<br>(used in calculation of diluted earnings per share)                              | 634.8                     | 628.5           | 632.1                   | 626.3           |
| <b>Net earnings/(loss) per share:</b>                                                                                                 |                           |                 |                         |                 |
| - Basic                                                                                                                               | \$0.02                    | \$0.07          | \$0.04                  | \$0.14          |
| - Diluted                                                                                                                             | \$0.02                    | \$0.07          | \$0.04                  | \$0.14          |

## 23 RELATED PARTIES

There were no significant related party transactions during the period.

## 24 CONTINGENCIES

- (a) A wholly owned subsidiary of the Company is party to an addendum agreement with a syndicate of original claim owners, led by Mr J. Gonzales, in respect of a portion of the FTAA area ("Addendum Agreement"). Certain disputed claims for payment and other obligations under the Addendum Agreement made by Gonzales are subject to arbitration proceedings, which are presently suspended due to the irrevocable resignation of the arbitrator. Mr. Gonzales passed away in late 2014. Further, a third party is also disputing Mr. Gonzales' interest in the Didipio Project. The Company is awaiting on the outcome of any determination or settlement negotiation between Mr. Gonzales and the third party disputor.
- (b) The Department of Environment and Natural Resources of the Philippines ("DENR"), along with a number of mining companies (including OceanaGold (Philippines) Inc.), are parties to a case that was filed in 2008 whereby a group of Non-Governmental Organizations (NGOs) and individuals challenged the constitutionality of the Philippines Mining Act ("Mining Act"), the Financial or Technical Assistance Agreements ("FTAAs") and the Mineral Production Sharing Agreements ("MPSAs") in the Philippines Supreme Court. After some years of slow development, the case proceeded to oral hearing in 2013 and is currently awaiting decision from the Supreme Court.

Notwithstanding the fact that the Supreme Court has previously upheld the constitutionality of both the Mining Act and the FTAAs, the Company is mindful that litigation is an inherently uncertain process and the outcome of the case may adversely affect the operation and financial position of the Company. At this stage, it is not possible to identify the potential orders of the Court nor to quantify the possible impact. The Company is working closely with the DENR, the other respondents in the case, and the mining industry to defend the Mining Act and the validity of its FTAA.

- (c) On February 14, 2017, the Company received an order from the DENR calling for the suspension of the Didipio operation, citing "... petition of the Local Government of Nueva Vizcaya for the cancellation of the FTAA; alleged damages to houses caused by the blasting operation; and the potential adverse impact to the agricultural areas of the Province..." as reasons for the decision. The Company maintains that there is no legal basis for the proposed suspension, and the Didipio operation is not in violation of any laws, rules or regulations. Subsequent to receiving the suspension order, the Company filed an appeal with the Office of the President ("OP"), which has the effect of immediately staying the execution of the DENR suspension order. On March 15, 2017, the Company filed the Appeal Memorandum with the OP substantiating its grounds for appeal. The DENR filed its commentary to the Company's Memorandum on or around May 8, 2017, and the Company subsequently filed a further reply to the DENR commentary. The matter is currently awaiting a decision from the OP. The Didipio operation has continued to operate during the appeal process.
- (d) The Company operates in a number of jurisdictions. In the normal course of operations, the Company is occasionally subject to claims or litigations, including claims relating to workers compensation, motor vehicle accidents and items of similar nature. The Company deals with these claims as and when they arise. The Group also maintains specific insurance policies to transfer the risk of such claims. No provision is included in the accounts unless the Directors believe that a liability has been crystallised. In those circumstances where such claims are of material effect, have merit and are not covered by insurance, their financial effect is provided for within the financial statements. Other than as disclosed in these financial statements and other public filings, there are no claims that the Company believes will result in material losses as at the date of these financial statements.
- (e) The Group has provided guarantees in respect of the \$200.0 million banking facilities (Note 13). At June 30, 2019 the total outstanding balance under these facilities is \$150.0 million (December 31, 2018: \$150.0 million). Associated with this guarantee are certain financial compliance undertakings by the Group, including gearing covenants which the Group complied with at June 30, 2019.
- (f) The Group has provided guarantees in respect of the capital lease agreements for certain mobile mining equipment entered into by the controlled entities. At June 30, 2019 the outstanding rental obligations under the capital lease are \$34.4 million (December 31, 2018: \$27.9 million). Associated with this guarantee are certain financial compliance undertakings by the Group, including gearing covenants which the Group complied with at June 30, 2019.
- (g) The Group has issued bonds in favour of various New Zealand authorities (Ministry of Economic Development - Crown Minerals, Otago Regional Council, Waitaki District Council, West Coast Regional Council, Buller District Council, Timberlands West Coast Limited and Department of Conservation) as a condition for the grant of mining and exploration privileges, water rights and/or resource consents, and rights of access for the Macraes Gold Mine and the Globe Progress Mine at the Reefton Gold Project which amount to approximately \$35.0 million (December 31, 2018: \$34.8 million).
- (h) The Group has provided a cash operating bond to the New Zealand Department of Conservation of \$0.4 million (December 31, 2018: \$0.4 million) which is refundable at the end of the Globe Progress mine and a cash operating bond to the West Coast Regional Council of \$0.2 million (December 31, 2018: \$nil) which is refundable at the end of the Blackwater Exploration Project. These amounts are included in the total referred to in (g) above.
- (i) The Group has contingent liabilities under contracts, guarantees and other agreements arising in the ordinary course of business on which no loss is anticipated. Bonds have been issued in favour of various New Zealand authorities (Ministry of Energy, Hauraki District Council, Waikato Regional Council, Environment Waikato, Department of Conservation) as a condition for the grant of mining and exploration privileges, water rights and/or resource consents, and rights of access for Martha mining that amount to approximately \$36.7 million (December 31, 2018: \$36.6 million).

## **24 CONTINGENCIES (CONTINUED)**

- (j) The mine operating permit at Haile which became final and effective during the first quarter of 2015 includes a schedule for estimated financial assurance of \$65.0 million over the mine life consisting of \$55.0 million in surety bonds or other mechanisms and \$10.0 million in an interest bearing cash trust. The Company has satisfied its current financial assurance payment requirements by using a surety bond of \$37.5 million. In addition, the Company has paid \$1.8 million in trust funding by the end of June 2019.

The remaining estimated financial assurance of \$25.7 million will be paid over the life of the mine with the next financial assurance payment anticipated to occur in 2019. The timing and amounts of these payments could change due to a number of factors including changes in regulatory requirements, changes in scope and timing of closure activities. The State requires financial assurance for the estimated costs of mine reclamation and closure, including groundwater quality protection programs.

The surety bond and other financial assurance must be maintained in force continuously throughout the life of the mining operation and may only be released, partially or in full, after the State of South Carolina approves its release.

## **25 EVENTS OCCURRING AFTER THE REPORTING PERIOD**

There have been no material subsequent events that have arisen since the end of the financial period to the date of this report that have not otherwise been dealt with.