OCEANAGOLD CORPORATION

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## THIRD QUARTER REPORT

## SEPTEMBER 30TH, 2016

## UNAUDITED

## UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**As at September 30, 2016**

| *(in United States dollars)* | *Notes* | *September 30 2016 $'000* | *December 31 2015 $'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 88,068 | 185,466 |
| Trade and other receivables | 6 | 49,079 | 35,067 |
| Derivatives and other financial assets | 7 | 4,686 | 6,585 |
| Inventories | 8 | 66,679 | 91,976 |
| Prepayments | | 11,158 | 4,448 |
| Total current assets | | 219,670 | 323,542 |
| **Non-current assets** | | | |
| Trade and other receivables | 6 | 71,496 | 69,407 |
| Derivatives and other financial assets | 7 | 119,006 | 18,353 |
| Inventories | 8 | 163,603 | 132,351 |
| Deferred tax assets | 9 | 12,408 | 181 |
| Property, plant and equipment | 10 | 424,310 | 432,280 |
| Mining assets | 11 | 870,784 | 565,681 |
| Investments | 12 | 2,820 | 2,062 |
| Total non-current assets | | 1,664,427 | 1,220,315 |
| **TOTAL ASSETS** | | 1,884,097 | 1,543,857 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 122,242 | 109,335 |
| Employee benefits | 14 | 7,151 | 8,028 |
| Derivatives and other financial liabilities | 16 | 8,909 | - |
| Current tax liabilities | | 8,921 | 6,367 |
| Interest-bearing loans and borrowings | 15 | 15,641 | 10,812 |
| Asset retirement obligations | | 802 | 932 |
| Total current liabilities | | 163,666 | 135,474 |
| **Non-current liabilities** | | | |
| Other obligations | 13 | 8,516 | 8,754 |
| Employee benefits | 14 | 1,355 | 1,161 |
| Interest-bearing loans and borrowings | 15 | 282,628 | 187,942 |
| Derivatives and other financial liabilities | 16 | 2,877 | - |
| Asset retirement obligations | | 103,367 | 70,717 |
| Total non-current liabilities | | 398,743 | 268,574 |
| **TOTAL LIABILITIES** | | 562,409 | 404,048 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 17 | 1,083,375 | 1,067,576 |
| Retained earnings/(accumulated losses) | | 78,252 | 8,630 |
| Contributed surplus | 20 | 41,903 | 41,954 |
| Other reserves | 21 | 118,158 | 21,649 |
| **TOTAL SHAREHOLDERS' EQUITY** | | 1,321,688 | 1,139,809 |
| **TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY** | | 1,884,097 | 1,543,857 |

On behalf of the Board of Directors:

James E. Askew
Director
October 27, 2016

Paul B. Sweeney
Director
October 27, 2016

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

## UNAUDITED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**For the quarter ended September 30, 2016**

| (in United States dollars) | Notes | Three months ended September 30 2016 $'000 | Three months ended September 30 2015 $'000 | Nine months ended September 30 2016 $'000 | Nine months ended September 30 2015 $'000 |
|---|---|---|---|---|---|
| **Revenue** | 5 | 150,388 | 109,581 | 481,202 | 364,373 |
| Cost of sales, excluding depreciation and amortisation | | (77,524) | (60,779) | (229,055) | (193,979) |
| Depreciation and amortisation | | (31,973) | (29,430) | (93,757) | (88,795) |
| General and administration - merger and acquisition costs | | - | (4,471) | - | (6,918) |
| General and administration - other | | (11,361) | (9,062) | (39,294) | (25,062) |
| Operating profit/(loss) | | 29,530 | 5,839 | 119,096 | 49,619 |
| **Other income/(expenses)** | | | | | |
| Interest expense and finance costs | | (2,723) | (2,377) | (7,691) | (7,588) |
| Foreign exchange gain/(loss) | | (604) | (269) | 2,664 | (2,629) |
| Gain/(loss) on disposal of property, plant and equipment | | 169 | 15 | 132 | 45 |
| Gain/(loss) on fair value of available-for-sale assets | | 139 | 20 | 369 | 4 |
| Total other expenses | | (3,019) | (2,611) | (4,526) | (10,168) |
| Gain/(loss) on fair value of undesignated hedges | | 8,852 | 2,893 | (11,280) | (21,905) |
| Interest income | | 185 | 123 | 429 | 539 |
| Other income/(expense) | | 361 | 33 | 709 | 83 |
| Share of profit/(loss) from equity accounted associates | | (151) | - | (315) | - |
| Profit/(loss) before income tax | | 35,758 | 6,277 | 104,113 | 18,168 |
| Income tax benefit/(expense) | | (5,065) | 647 | (10,234) | 12,250 |
| **Net profit/(loss)** | | **30,693** | **6,924** | **93,879** | **30,418** |
| **Other comprehensive income that can be reclassified to profit and loss in a future period, net of tax** | | | | | |
| Currency translation gain/(loss) | | 3,430 | (9,603) | 12,298 | (32,564) |
| Net change in fair value of available-for-sale assets | | 32,778 | (2,424) | 84,211 | (2,626) |
| Total other comprehensive income/(loss) net of tax | | **36,208** | **(12,027)** | **96,509** | **(35,190)** |
| **Comprehensive income/(loss) attributable to shareholders** | | **66,901** | **(5,103)** | **190,388** | **(4,772)** |
| **Net earnings/(loss) per share:** | | | | | |
| - Basic | 24 | $0.05 | $0.02 | $0.15 | $0.10 |
| - Diluted | 24 | $0.05 | $0.02 | $0.15 | $0.10 |

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

**UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**For the quarter ended September 30, 2016**

| *(in United States dollars)* | *Share Capital* | *Contributed Surplus* | *Other Reserves* | *Retained Earnings/ (Accumulated Losses)* | *Total Equity* |
|---|---|---|---|---|---|
| | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* |
| **Balance at January 1, 2016** | **1,067,576** | **41,954** | **21,649** | **8,630** | **1,139,809** |
| Comprehensive income/(loss) for the period | - | - | 96,509 | 93,879 | 190,388 |
| Employee share options: | | | | | |
| Share based payments | - | 3,626 | - | - | 3,626 |
| Forfeiture of options | - | (33) | - | - | (33) |
| Exercise of options | 15,799 | (3,644) | - | - | 12,155 |
| Dividends declared or paid | - | - | - | (24,257) | (24,257) |
| **Balance at September 30, 2016** | **1,083,375** | **41,903** | **118,158** | **78,252** | **1,321,688** |
| | | | | | |
| **Balance at January 1, 2015** | **650,557** | **41,388** | **35,905** | **(32,376)** | **695,474** |
| Comprehensive income/(loss) for the period | - | - | (35,190) | 30,418 | (4,772) |
| Employee share options: | | | | | |
| Share based payments | - | 1,971 | - | - | 1,971 |
| Forfeiture of options | - | (25) | - | - | (25) |
| Exercise of options | 2,628 | (2,202) | - | - | 426 |
| Dividends declared or paid | - | - | - | (12,060) | (12,060) |
| **Balance at September 30, 2015** | **653,185** | **41,132** | **715** | **(14,018)** | **681,014** |

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

## UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

**For the quarter ended September 30, 2016**

| *(in United States dollars)* | *Three months ended September 30 2016 $'000* | *Three months ended September 30 2015 $'000* | *Nine months ended September 30 2016 $'000* | *Nine months ended September 30 2015 $'000* |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Net profit/(loss) | 30,693 | 6,924 | 93,879 | 30,418 |
| *Charges/(credits) not affecting cash* | | | | |
| Depreciation and amortisation expense | 31,973 | 29,430 | 93,757 | 88,795 |
| Net (gain)/loss on disposal of property, plant & equipment | (169) | - | (132) | - |
| Unrealised foreign exchange (gain)/loss | 604 | 269 | (2,664) | 2,629 |
| Stock based compensation charge | 1,364 | 554 | 3,592 | 1,946 |
| (Gain)/loss on fair value of undesignated hedges | (8,852) | (2,893) | 11,280 | 21,905 |
| Non-cash transaction costs | 202 | 596 | 598 | 1,769 |
| Income tax expense/(benefit) | 5,065 | (647) | 10,234 | (12,250) |
| Non-cash available-for-sale assets (gain)/loss | (139) | (20) | (369) | (4) |
| Share of (profit)/loss of equity accounted associates | 151 | - | 315 | - |
| *Changes in non-cash working capital* | | | | |
| (Increase)/decrease in trade and other receivables | (12,880) | (872) | (12,344) | (3,129) |
| (Increase)/decrease in inventories | (5,584) | (9,697) | (4,070) | (26,297) |
| (Decrease)/increase in trade and other payables | (661) | 3,811 | (9,691) | 10,004 |
| (Decrease)/increase in other working capital | (5,054) | (3,654) | (11,618) | (6,497) |
| (Decrease)/increase in tax payables | (7,273) | - | (20,168) | - |
| Net cash provided by/(used in) operating activities | 29,440 | 23,801 | 152,599 | 109,289 |
| **Investing activities** | | | | |
| Payment for investments | (1,000) | (84) | (16,140) | (13,459) |
| Proceeds from sale of property, plant and equipment | 174 | 15 | 202 | 45 |
| Payment for property, plant and equipment | (8,127) | (1,427) | (30,341) | (4,401) |
| Payment for mining assets: exploration and evaluation | (2,669) | (837) | (6,739) | (2,672) |
| Payment for mining assets: development | (90,966) | (9,630) | (234,984) | (31,462) |
| Payment for mining assets: in production | (13,754) | (10,408) | (54,576) | (32,544) |
| Net cash provided by/(used in) for investing activities | (116,342) | (22,371) | (342,578) | (84,493) |
| **Financing activities** | | | | |
| Proceeds from issue of shares | 2,119 | 158 | 12,155 | 426 |
| Dividends paid to shareholders | - | - | (24,257) | (12,210) |
| Repayment of bank borrowings and other loans | - | (616) | (505) | (11,352) |
| Proceeds from borrowings | 60,000 | 1,509 | 60,000 | 1,509 |
| Proceeds from finance leases | 11,319 | - | 45,797 | - |
| Repayment of finance lease liabilities | (2,831) | (3,107) | (7,723) | (8,970) |
| Net cash provided by/(used in) financing activities | 70,607 | (2,056) | 85,467 | (30,597) |
| Effect of exchange rates changes on cash gain/(loss) | 592 | (2,189) | 7,114 | 475 |
| Net increase/(decrease) in cash and cash equivalents | (15,703) | (2,815) | (97,398) | (5,326) |
| Cash and cash equivalents at the beginning of the period | 103,771 | 48,707 | 185,466 | 51,218 |
| Cash and cash equivalents at end of period | 88,068 | 45,892 | 88,068 | 45,892 |
| Cash interest paid | (1,542) | (1,184) | (4,461) | (4,108) |
| Cash interest received | 185 | 123 | 429 | 539 |
| Income taxes paid | (7,273) | - | (20,168) | - |

The accompanying notes to the interim 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, the Australian Stock Exchange and the New Zealand Stock 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 two open cut gold mines and two underground mines in New Zealand. The Group also operates an open cut gold-copper mine and is developing underground operations at Didipio in the Philippines. The Group is currently constructing the Haile Gold mine in South Carolina, USA.

The Group prepares its unaudited interim 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 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 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, 2015, as they provide an update of previously reported information.

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

Except as described below, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The unaudited interim consolidated financial statements were approved by the Board of Directors on October 27, 2016.

## 2 ACCOUNTING POLICIES EFFECTIVE FOR FUTURE PERIODS

The following accounting policies are effective for future periods:

IFRS 9 - Financial instruments
This standard will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 has two classification categories: amortised cost and fair value.

Classification of debt assets will be driven by the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A ‘simple’ debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other financial assets, including investments in complex debt instruments and equity investments must be measured at fair value.

All fair value movements on financial assets must be recognised in profit or loss except for equity investments that are not held for trading (short-term profit taking), which may be recorded in other comprehensive income (FVOCI).

For financial liabilities that are measured under the fair value option, entities will need to recognise the part of the fair value change that is due to changes in the entity’s own credit risk in other comprehensive income rather than profit or loss.

New hedging rules are also included in the standard. These will make testing for hedge effectiveness easier which means that more hedges are likely to be eligible for hedge accounting. The new rules will also allow more items to be hedged and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments.

It also contains a new impairment model which will result in earlier recognition of losses. The amendment also modifies the relief from restating prior periods. As part of this relief, the board published an amendment to IFRS 7, ‘Financial instruments: Disclosure’, to require additional disclosures on transition from IAS 39 to IFRS 9.

This standard is effective for years beginning on/after January 1, 2018. The Group has not assessed the impact of this new standard.

IFRS 7 - Financial instruments - Disclosure
This standard has been amended to require additional disclosures on transition from IAS 39 to IFRS 9. It is effective on adoption of IFRS 9.

The mandatory effective date for IFRS 9 is for the years beginning on/after January 1, 2018. The Group will apply the standard accordingly.

## 2 ACCOUNTING POLICIES EFFECTIVE FOR FUTURE PERIODS (CONTINUED)

IFRS 15 - Revenue from contracts with customers
This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Group will adopt IFRS 15 accordingly where applicable.

IAS 12 - Income Taxes
This standard has been amended to clarify the requirements for recognising deferred tax assets on unrealised losses, deferred tax where an asset is measured at a fair value below the asset's tax base and certain other aspects of accounting for deferred tax assets.

The amendments are effective for years beginning on/after January 1, 2017 and the Group will apply the amendments accordingly.

IAS 7 - Statement of cash flows
This standard has been amended to require additional disclosures that will enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The amendment is effective for years beginning on/after January 1, 2017 and the Group will apply the amendment accordingly.

IFRS 16 - Leases
This standard will replace IAS 17, Leases and related interpretations. IFRS 16 establishes principles for recognition, measurement, presentation and disclosures of leases. The standard provides a single lessee accounting model which requires the lessee to recognise almost all lease contracts on the balance sheet; the only optional exemptions are for certain short-term leases and leases of low-value assets. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting is substantially unchanged from its predecessor, IAS 17.

This standard is effective for years beginning on/after January 1, 2019. The Group has not assessed the impact of this new standard.

IAS 28 - Investments in associates and joint ventures
This standard is amended to address the inconsistency between IFRS 10 and IAS 28. The main consequence of the amendments is that a full gain or loss is recognised when the transaction involves a business combination, and whereas a partial gain is recognised when the transaction involves assets that do not constitute a business.

The amendment was originally effective for years beginning on/after January 1, 2016. However the effective date has been deferred indefinitely by the IASB. The Group will apply the standard accordingly when effective.

IFRS 2 - Share-based payments
This standard has been amended to address certain issues related to the accounting for cash settled awards, and the accounting for equity settled awards that include a 'net settlement" feature in respect of employee withholding taxes.

The amendments are effective for years beginning on/after January 1, 2018 and the Group will apply the amendment accordingly.

There are no other 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 11) 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) and changes to commodity prices and foreign exchange rates.

## 3 CRITICAL ESTIMATES AND JUDGEMENTS (CONTINUED)

Exploration and evaluation expenditure (Note 11) 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. 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 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 the New Zealand CGU and United States CGU are dependent on production from certain identified exploration targets in New Zealand and successful completion of Haile Gold Project respectively. Should these projects prove to be uneconomic, the carrying value of the CGU could be impaired by a significant amount.

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.

*(iii) Net realisable value of inventories*

The Group reviews the carrying value of its inventories (Note 8) 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, the timing of these expected future costs (largely dependent on the life of the mine), and the estimated future level of inflation.

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 amortization 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. 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 and successful development of certain identified exploration targets where there are higher degrees of confidence in the economic extraction of minerals.

## 3 CRITICAL ESTIMATES AND JUDGEMENTS (CONTINUED)

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 9 to the financial statements.

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 9.

Certain input tax credits in overseas subsidiaries have been recognised as a non-current receivable (Note 6). 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 a 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 in the relevant period.

*(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 September 30, 2016 no such equity had been issued to any third party due to the uncertainty. Consequently, no non-controlling interest has been recognised. A non-controlling interest is intended to be recognised after the issue of shares and after the full recovery of pre-operating expenses.

*(viii) Estimation of fair values in business combination*

The Group has applied estimates and judgements in order to determine the fair values of assets acquired and liabilities and contingent liabilities assumed by way of a business combination. The Group engaged an external third party to determine the fair values of the cash generating units ('CGUs') acquired.

## 4 BUSINESS COMBINATION

**Prior year acquisitions**

On October 1, 2015, the Group acquired 100% of Romarco Minerals Inc. (‘Romarco’) and its subsidiaries, for a total consideration of $415.6 million.

On 30 October, 2015, the Group acquired 100% of Newmont Waihi Gold Limited (now renamed Oceana Gold (Waihi) Limited) (‘Waihi’) and its subsidiaries, for a total consideration of $101.1 million.

At December 31, 2015, the provisional values of assets, liabilities and contingent liabilities recognised on the Romarco and Waihi acquisitions were their estimated fair values at the date of acquisition. Accounting Standards permit up to 12 months for provisional acquisition accounting to be finalised following the acquisition date if subsequent information provides better evidence of the item’s fair value at the date of acquisition. The Group engaged an external third party valuer to determine the fair values of the Romarco and Waihi acquisitions.

During the quarter ended September 30, 2016, the fair values of the identified assets and liabilities acquired were finalised and determined as follows:

**Romarco Minerals Inc.**

| | Provisional Fair Value $'000 | Final Fair Value $'000 |
|---|---|---|
| Cash and cash equivalents | 108,625 | 108,625 |
| Restricted cash | 35,000 | 35,000 |
| Other receivables | 7,899 | 7,899 |
| Property, plant and equipment | 193,431 | 140,869 |
| Mining assets | 125,194 | 177,756 |
| Trade and other payables | (33,382) | (33,382) |
| Interest-bearing loans and borrowings | (10,000) | (10,000) |
| Derivative financial instruments | (3,051) | (3,051) |
| Asset retirement obligations | (8,091) | (8,091) |
| Net identifiable assets acquired | 415,625 | 415,625 |
| Net assets acquired | 415,625 | 415,625 |

$52.6 million of land were reclassified from Property, Plant and Equipment to Mining Assets to reflect the nature of the assets. There were no other changes made in the finalisation of the acquisition accounting.

**Oceana Gold (Waihi) Limited**

| | Provisional Fair Value $'000 | Final Fair Value $'000 |
|---|---|---|
| Cash and cash equivalents | 24,519 | 24,519 |
| Trade and other receivables | 2,557 | 2,557 |
| Inventories | 10,840 | 10,840 |
| Deferred tax assets | 907 | 907 |
| Available-for-sale investments | 9 | 9 |
| Property, plant and equipment | 29,815 | 29,815 |
| Mining assets | 91,719 | 91,719 |
| Trade and other payables | (10,343) | (10,343) |
| Deferred tax liabilities | (19,310) | (19,310) |
| Income tax liabilities | (1,917) | (1,917) |
| Asset retirement obligations | (26,902) | (26,902) |
| Net identifiable assets acquired | 101,894 | 101,894 |
| Net assets acquired | 101,894 | 101,894 |

There were no changes made in the finalisation of the acquisition accounting.

## 5 REVENUE

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | *September 30 2016 $'000* | *September 30 2015 $'000* | *September 30 2016 $'000* | *September 30 2015 $'000* |
| **Gold sales** | | | | |
| Bullion | 95,854 | 60,754 | 305,584 | 206,306 |
| Concentrate sales | 30,843 | 24,955 | 106,279 | 80,677 |
| | 126,697 | 85,709 | 411,863 | 286,983 |
| **Copper sales** | | | | |
| Concentrate sales | 26,578 | 28,284 | 77,847 | 91,216 |
| **Silver sales** | | | | |
| Concentrate sales | 2,355 | 968 | 6,954 | 3,215 |
| | 155,630 | 114,961 | 496,664 | 381,414 |
| Less concentrate treatment, refining and selling costs | (5,242) | (5,380) | (15,462) | (17,041) |
| **Total Revenue** | 150,388 | 109,581 | 481,202 | 364,373 |

Realised loss on gold options hedges (Note 16) exercised for the quarter ended September 30, 2016 amounted to $2.8 million (September 30, 2015: $2.2 million loss). For the nine months ended September 30, 2016, the realised loss on gold options hedges (Note 16) exercised amounted to $6.2 million (September 30, 2015: $3.3 million loss). The realised loss or gain on gold options is included within Revenue - Gold sales.

**Provisional Sales**

The Group has provisionally priced gold and copper concentrate sales for which price finalisation subject to quotational periods is outstanding at the reporting date. At September 30, 2016, the provisionally priced gold and copper concentrate sales subject to final settlement included a provisional pricing loss of $0.5 million (September 30, 2015: $0.3 million gain).

At September 30, 2016, the provisionally priced gold and copper sales for 8,258 dry metric tonnes of concentrate containing provisional estimates of 11,207 ounces of gold and 2,299 tonnes of copper, subject to final settlement, were recorded at average prices of $1,328/oz and $4,805/t, respectively.

## 6 TRADE AND OTHER RECEIVABLES

| | *September 30 2016 $'000* | *December 31 2015 $'000* |
|---|---|---|
| **Current** | | |
| Trade receivables | 40,496 | 23,555 |
| Other receivables | 8,583 | 11,512 |
| | 49,079 | 35,067 |
| **Non-Current** | | |
| Other receivables | 71,496 | 69,407 |
| | 71,496 | 69,407 |

Other receivables mainly consist of input tax credits, with the remainder related to excise tax recoverable, deposits at bank in support of environmental bonds, deposits set out for rental of properties and New Zealand carbon tax credits.

## 7 DERIVATIVES AND OTHER FINANCIAL ASSETS

| | *September 30 2016 $'000* | *December 31 2015 $'000* |
|---|---|---|
| **Current** | | |
| Gold put/call options (1) | - | 5,777 |
| Other assets (2) | 800 | 808 |
| Fuel swaps (4) | 3,886 | - |
| | 4,686 | 6,585 |
| **Non-Current** | | |
| Other assets (2) | 171 | 769 |
| Available-for-sale financial assets (3) | 117,978 | 17,584 |
| Fuel swaps (4) | 857 | - |
| | 119,006 | 18,353 |
| | 123,692 | 24,938 |

(1) At September 30, 2016, this represents four series of bought gold put options with average price range from NZ$1,600 to NZ$1,650 per ounce and four series of sold gold call options with price range from NZ$1,736 to NZ$1,810 per ounce. At September 30, 2016, 194,574 ounces of gold options remained outstanding. These gold options are undesignated for hedging accounting purposes and accounted at fair value through the statement of comprehensive income. These gold options cover future gold production from Macraes Goldfield.

At December 31, 2015, this represented two series of bought gold put options with average price range from NZ$1,600 to NZ$1,628 per ounce and two series of sold gold call options with average price of NZ$1,736 per ounce. At December 31, 2015, 128,568 ounces of gold options remained outstanding.

| Put options strike price NZ$ | Call options strike price NZ$ | Ounces of gold outstanding at September 30, 2016 | Ounces of gold outstanding at December 31, 2015 | Expiring |
|---|---|---|---|---|
| 1,600 | 1,736 | 27,222 | 108,888 | December 2016 |
| 1,628 | 1,736 | 4,920 | 19,680 | December 2016 |
| 1,650 | 1,810 | 84,732 | - | December 2017 |
| 1,650 | 1,810 | 77,700 | - | December 2017 |

(2) Represents the unamortised portion of establishment fees and other costs incurred in obtaining US$ banking facilities. These fees are being amortised to reflect an approximate pattern of consumption over the terms of the facilities.

(3) Represents the fair value of investments in Gold Standard Ventures Corp., NuLegacy Gold Corporation and MOD Resources Ltd.

(4) This represents the fair value of fuel swap agreements to buy specified volumes of fuel at specified prices ranging from $43.75 per barrel to $54.34 per barrel. At September 30, 2016, 387,000 barrels of fuel swaps remained outstanding. These fuel swaps are undesignated for hedge accounting purposes and accounted at fair value through the statement of comprehensive income. These fuel swaps cover 90% of the Company’s fuel consumption in 2016 and 2017.

| | Swap Price | Volume Remaining (bbl) | Expiry Date |
|---|---|---|---|
| Singapore Gasoil Platts Asia Pacific | $43.75 | 66,000 | December 2016 |
| US Gulf Coast Ultra Low Sulphur | $48.07 | 28,357 | December 2016 |
| Singapore Gasoil Platts Asia Pacific | $50.25 | 240,000 | December 2017 |
| US Gulf Coast Ultra Low Sulphur | $54.34 | 52,643 | December 2017 |

## 8 INVENTORIES

| | *September 30 2016 $'000* | *December 31 2015 $'000* |
|---|---|---|
| **Current** | | |
| Gold in circuit | 6,108 | 5,127 |
| Ore - at cost | 18,613 | 32,550 |
| Gold on hand | 815 | 2,562 |
| Gold and copper concentrate | 4,915 | 19,798 |
| Maintenance stores | 36,228 | 31,939 |
| | 66,679 | 91,976 |
| **Non-Current** | | |
| Ore - at cost | 163,603 | 132,351 |
| | 163,603 | 132,351 |
| Total inventories | 230,282 | 224,327 |

During the quarter, there was no ore inventory written down (for the year ended December 31, 2015: $1.3 million).

## 9 DEFERRED INCOME TAX

| | *September 30 2016 $'000* | *December 31 2015 $'000* |
|---|---|---|
| **Deferred income tax** | | |
| Deferred income tax at period end relates to the following: | | |
| *Deferred tax assets* | | |
| Losses available for offset against future taxable income | 23,051 | 26,537 |
| Provisions | 20,591 | 12,294 |
| Accrued expenses | - | 19 |
| Gross deferred tax assets | 43,642 | 38,850 |
| Set off deferred tax liabilities | (31,234) | (38,669) |
| Net non-current deferred tax assets | 12,408 | 181 |
| *Deferred tax liabilities* | | |
| Mining assets | (9,815) | (21,691) |
| Property, plant and equipment | (20,158) | (15,378) |
| Inventories | (1,261) | (943) |
| Other | - | (657) |
| Gross deferred tax liabilities | (31,234) | (38,669) |
| Set off deferred tax assets | 31,234 | 38,669 |
| Net non-current deferred tax liabilities | - | - |

## 10 PROPERTY, PLANT AND EQUIPMENT

| | September 30, 2016 | | | | |
|---|---|---|---|---|---|
| | Land | Buildings | Plant and equipment | Rehabilitation | Total |
| | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* |
| **Net book value** | | | | | |
| At December 31, 2015: | | | | | |
| Cost | 99,163 | 61,509 | 718,827 | 51,145 | 930,644 |
| Accumulated depreciation and impairment | - | (15,703) | (447,670) | (34,991) | (498,364) |
| At December 31, 2015 | 99,163 | 45,806 | 271,157 | 16,154 | 432,280 |
| Movement for the period: | | | | | |
| Additions | 3,846 | 2,746 | 60,476 | 26,840 | 93,908 |
| Transfers | - | 17,096 | 3,495 | - | 20,591 |
| Disposals/write-off | (17) | - | (33,814) | - | (33,831) |
| Depreciation for the period | - | (3,786) | (35,812) | (2,483) | (42,081) |
| Acquisition accounting adjustment | (52,562) | - | - | - | (52,562) |
| Exchange differences | 1,572 | 911 | 2,876 | 646 | 6,005 |
| At September 30, 2016 | 52,002 | 62,773 | 268,378 | 41,157 | 424,310 |
| | | | | | |
| At September 30, 2016: | | | | | |
| Cost | 52,002 | 81,093 | 754,648 | 80,893 | 968,636 |
| Accumulated depreciation and impairment | - | (18,320) | (486,270) | (39,736) | (544,326) |
| | 52,002 | 62,773 | 268,378 | 41,157 | 424,310 |

Plant and equipment includes assets under capital lease net of accumulated depreciation of $61.5 million (December 31, 2015: $19.4 million). The assets under capital leases are pledged as security for capital lease liabilities.

## 11 MINING ASSETS

| | September 30, 2016 | | | |
|---|---|---|---|---|
| | Exploration and evaluation phase | Development phase | In production | Total |
| | *$'000* | *$'000* | *$'000* | *$'000* |
| **Net book value** | | | | |
| At December 31, 2015: | | | | |
| Cost | 47,442 | 261,588 | 1,116,288 | 1,425,318 |
| Accumulated amortisation and impairment | - | - | (859,637) | (859,637) |
| At December 31, 2015 | 47,442 | 261,588 | 256,651 | 565,681 |
| Movement for the period: | | | | |
| Additions | 6,740 | 258,906 | 55,695 | 321,341 |
| Transfers | 551 | (22,918) | 1,776 | (20,591) |
| Disposals/write-off | - | - | (59) | (59) |
| Amortisation for the period | - | - | (59,337) | (59,337) |
| Exchange differences | 620 | 322 | 10,245 | 11,187 |
| Acquisition accounting adjustment | - | 52,562 | - | 52,562 |
| At September 30, 2016 | 55,353 | 550,460 | 264,971 | 870,784 |
| | | | | |
| At September 30, 2016: | | | | |
| Cost | 55,353 | 550,460 | 1,219,979 | 1,825,792 |
| Accumulated amortisation and impairment | - | - | (955,008) | (955,008) |
| | 55,353 | 550,460 | 264,971 | 870,784 |

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. The mining assets under development mainly includes the underground development, continuous embankment of Tailings Storage Facility (TSF), Overhead Powerline Phase II project at Didipio in the Philippines, and the construction of the Haile Gold mine in the United States.

## 12 INVESTMENTS

| | *September 30 2016 $'000* | *December 31 2015 $'000* |
|---|---|---|
| **Non-Current** | | |
| Investments | - | 2,062 |
| Equity accounted investments | 2,820 | - |
| | 2,820 | 2,062 |

The investment represents shares in an unlisted private exploration company Locrian Resources Inc. ("Locrian"), registered in BC, Canada. Locrian is focused on project generation through discovery and advancing of precious and base metal projects in Myanmar and Laos.

As at September 30, 2016, the Company owned 31.21% interest in Locrian (December 31, 2015: 13.5%). The investment has been equity accounted for from April 1, 2016.

| | | |
|---|---|---|
| **Equity accounted investment** | | |
| Balance at January 1 | - | - |
| Transfer from investment | 2,135 | - |
| Additional shares purchased | 1,000 | - |
| OGC Group's Share of loss for the period | (315) | - |
| Balance at September 30 | 2,820 | - |

## 13 OTHER OBLIGATIONS

| | *September 30 2016 $'000* | *December 31 2015 $'000* |
|---|---|---|
| **Non-Current** | | |
| Other obligations | 8,516 | 8,754 |
| | 8,516 | 8,754 |

Other obligations mainly consist of an endowment of $9.0 million (to be paid over the next 13 years) for maintenance and management of the properties under the mitigation plan related to all permits for the Haile Gold mine. $1.5 million of the endowment are to be paid in the next twelve months.

In addition, in connection with the issuance of the environmental permits, the Company has an agreement with various Conservation Groups in South Carolina ("the Conservation Groups") to provide on-going protection for lands in the Lynches River Watershed of South Carolina. This agreement ensured that the Conservation Groups will not bring any suit or claim with respect to the federal, state or local permits issued for the Haile Project.

## 14 EMPLOYEE BENEFITS

### (a) Leave entitlements liability

| | *September 30 2016 $'000* | *December 31 2015 $'000* |
|---|---|---|
| Aggregate employee benefit liability is comprised of: | | |
| Employee benefits provision - current | 7,151 | 8,028 |
| Employee benefits provision - non-current | 1,355 | 1,161 |
| | 8,506 | 9,189 |

### (b) 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.

## 15 INTEREST-BEARING LOANS AND BORROWINGS

| | *Maturity* | *September 30 2016 $'000* | *December 31 2015 $'000* |
|---|---|---|---|
| **Current** | | | |
| Capital leases (1) | various | 15,641 | 10,298 |
| Other loan | 05/31/2016 | - | 514 |
| | | 15,641 | 10,812 |
| **Non-Current** | | | |
| Capital leases (1) | various | 39,826 | 5,140 |
| US$ banking facilities (2) | various | 242,802 | 182,802 |
| | | 282,628 | 187,942 |

(1) *Capital Leases*
The Group has capital lease facilities in place with Caterpillar Finance and GE Finance. These facilities have maturities between October 2016 to July 2021.

(2) *US$ banking facilities*
On June 22, 2016, the Group increased its revolving credit facility to $300 million for general working capital purposes. The restructured facility is with a multi-national group of banks and matures on December 31, 2019. The facility will step down to $200 million then $150 million as at December 31, 2017 and 2018 respectively. At September 30, 2016, this facility stood at $300 million with $242.8 million drawn and $57.2 million undrawn. There are no principal repayments required before September 30, 2017 under the facility.

**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 Macraes and Reefton Mines and the Haile Gold Mine Project. They also have the ability to enter into real property and chattel mortgages in respect of the Didipio project, 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.

## 16 DERIVATIVES AND OTHER FINANCIAL LIABILITIES

| | *September 30 2016 $'000* | *December 31 2015 $'000* |
|---|---|---|
| **Current** | | |
| Gold put/call options (1) | 8,909 | - |
| | 8,909 | - |
| **Non-Current** | | |
| Gold put/call options (1) | 2,877 | - |
| | 2,877 | - |

(1) The gold put/call options that give rise to the derivative liabilities are detailed in Note 6.

## 17 SHARE CAPITAL

**Movement in common shares on issue**

| | *September 30 2016 Thousand shares* | *September 30 2016 $'000* | *December 31 2015 Thousand shares* | *December 31 2015 $'000* |
|---|---|---|---|---|
| Balance at the beginning of the period | 603,618 | 1,067,576 | 301,520 | 650,557 |
| Shares issued | - | - | 299,506 | 413,318 |
| Options exercised | 7,406 | 15,799 | 2,592 | 3,701 |
| Balance at the end of the period | 611,024 | 1,083,375 | 603,618 | 1,067,576 |

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.

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.

On October 1, 2015, the Company issued a total of 299,506,089 shares to Romarco shareholders for the acquisition of all of the issued and outstanding shares of Romarco Minerals Inc. The Romarco shareholders obtained 0.241 of a common share of the Company for each Romarco common share.

## 18 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 sells its gold-copper concentrate to a commodity trader in Singapore. Gold bullion is produced in New Zealand and the Philippines and gold-copper concentrate is produced in the Philippines.

| | New Zealand | Phillippines | United States | All other segments | Elimination | Total |
|---|---|---|---|---|---|---|
| **Quarter ended September 30, 2016** | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Revenue** | | | | | | |
| Sales to external customers | 85,853 | 64,535 | - | - | - | 150,388 |
| Inter segment management and gold handling fees | - | - | - | 109 | (109) | - |
| Total segment revenue | 85,853 | 64,535 | - | 109 | (109) | 150,388 |
| | | | | | | |
| **Result** | | | | | | |
| Segment result excluding unrealised hedge gains/ (losses) and depreciation and amortisation | 33,944 | 34,769 | (208) | (7,088) | - | 61,417 |
| Depreciation and amortisation | (26,303) | (5,408) | - | (262) | - | (31,973) |
| Inter segment management and gold handling fees | (109) | - | - | 109 | - | - |
| Gain/(loss) on fair value of derivative instruments | 8,852 | - | - | - | - | 8,852 |
| Total segment result before interest and tax | 16,384 | 29,361 | (208) | (7,241) | - | 38,296 |
| Net interest expense | | | | | | (2,538) |
| Income tax (expense)/benefit | | | | | | (5,065) |
| Net profit/(loss) for the period | | | | | | 30,693 |

## 18 SEGMENT INFORMATION (CONTINUED)

| | New Zealand<br>$'000 | Phillippines<br>$'000 | United States<br>$'000 | All other segments<br>$'000 | Elimination<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|---|---|
| **Nine months ended September 30, 2016** | | | | | | |
| **Revenue** | | | | | | |
| Sales to external customers | 269,846 | 211,356 | - | - | - | 481,202 |
| Inter segment management and gold handling fees | - | - | - | 324 | (324) | - |
| Total segment revenue | 269,846 | 211,356 | - | 324 | (324) | 481,202 |
| **Result** | | | | | | |
| Segment result excluding unrealised hedge gains/ (losses) and depreciation and amortisation | 104,597 | 130,393 | (344) | (18,234) | - | 216,412 |
| Depreciation and amortisation | (70,300) | (22,667) | (28) | (762) | - | (93,757) |
| Inter segment management and gold handling fees | (324) | - | - | 324 | - | - |
| Gain/(loss) on fair value of derivative instruments | (11,280) | - | - | - | - | (11,280) |
| Total segment result before interest and tax | 22,693 | 107,726 | (372) | (18,672) | - | 111,375 |
| Net interest expense | | | | | | (7,262) |
| Income tax (expense)/benefit | | | | | | (10,234) |
| Net profit/(loss) for the period | | | | | | 93,879 |
| **Assets** | | | | | | |
| Addition to property, plant, equipment and mining assets for the nine months ended September 30, 2016 | 71,126 | 58,093 | 284,932 | 1,098 | - | 415,249 |
| Total segment assets as at September 30, 2016 | 332,572 | 738,975 | 625,922 | 186,628 | - | 1,884,097 |

## 18 SEGMENT INFORMATION (CONTINUED)

| | New Zealand | Phillippines | United States | All other segments | Elimination | Total |
|---|---|---|---|---|---|---|
| **Quarter ended September 30, 2015** | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Revenue** | | | | | | |
| Sales to external customers | 55,287 | 54,294 | - | - | - | 109,581 |
| Inter segment management and gold handling fees | - | - | - | 115 | (115) | - |
| Total segment revenue | 55,287 | 54,294 | - | 115 | (115) | 109,581 |
| **Result** | | | | | | |
| Segment result excluding unrealised hedge gains/ (losses) and depreciation and amortisation | 17,559 | 25,971 | - | (8,462) | - | 35,068 |
| Depreciation and amortisation | (14,652) | (14,614) | - | (164) | - | (29,430) |
| Inter segment management and gold handling fees | (115) | - | - | 115 | - | - |
| Gain/(loss) on fair value of derivative instruments | 2,893 | - | - | - | - | 2,893 |
| Total segment result before interest and tax | 5,685 | 11,357 | - | (8,511) | - | 8,531 |
| Net interest expense | | | | | | (2,254) |
| Income tax (expense)/benefit | | | | | | 647 |
| Net profit/(loss) for the period | | | | | | 6,924 |

## 18 SEGMENT INFORMATION (CONTINUED)

| | New Zealand | Phillippines | United States | All other segments | Elimination | Total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Nine months ended September 30, 2015** | | | | | | |
| **Revenue** | | | | | | |
| Sales to external customers | 180,816 | 183,557 | - | - | - | 364,373 |
| Inter segment management and gold handling fees | - | - | - | 367 | (367) | - |
| Total segment revenue | 180,816 | 183,557 | - | 367 | (367) | 364,373 |
| **Result** | | | | | | |
| Segment result excluding unrealised hedge gains/ (losses) and depreciation and amortisation | 56,158 | 101,238 | - | (21,479) | - | 135,917 |
| Depreciation and amortisation | (55,496) | (32,846) | - | (453) | - | (88,795) |
| Inter segment management and gold handling fees | (367) | - | - | 367 | - | - |
| Gain/(loss) on fair value of derivative instruments | (21,905) | - | - | - | - | (21,905) |
| Total segment result before interest and tax | (21,610) | 68,392 | - | (21,565) | - | 25,217 |
| Net interest expense | | | | | | (7,049) |
| Income tax (expense)/benefit | | | | | | 12,250 |
| Net profit/(loss) for the period | | | | | | 30,418 |
| **Assets** | | | | | | |
| Additions to property, plant, equipment and mining assets for the nine months ended September 30, 2015 | 22,134 | 55,036 | - | 2,039 | - | 79,209 |
| Total segment assets as at December 31, 2015 | 357,227 | 670,139 | 461,332 | 55,159 | - | 1,543,857 |

## 19 STOCK-BASED COMPENSATION

### (a) Executive share options plan

Directors, executives and certain senior members of staff of the Group hold options over the common shares of the Company, OceanaGold Corporation. Each option entitles the holder to one common share upon exercise. The options were issued for nil consideration and have a maximum term of eight years. Granted options vest in three equal tranches over three years and vesting is subject only to continuity of employment.

The options cannot be transferred without the Company's prior approval and the Company does not intend to list the options. No options provide dividend or voting rights to the holders. Under the 2007 stock based compensation plan approved by OceanaGold shareholders the Company can issue up to 10% of issued common and outstanding shares.

**(i) Stock option movements**

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*

| . | *September 30, 2016* | | *December 31, 2015* | |
|---|---|---|---|---|
| | **No.** | **WAEP** | **No.** | **WAEP** |
| Outstanding at the start of the period | 3,322,762 | A$2.81 | 3,733,940 | A$2.71 |
| Expired | (5,556) | A$2.70 | (49,664) | A$2.87 |
| Exercised | (1,427,840) | A$2.84 | (361,514) | A$1.79 |
| **Balance at the end of the period** | **1,889,366** | **A$2.78** | **3,322,762** | **A$2.81** |
| **Exercisable at the end of the period** | **1,889,366** | **A$2.78** | **3,322,762** | **A$2.81** |

Options granted were priced using a binomial option pricing model. Where options had a single exercise date the Black Scholes valuation model was used. Where options do not have a performance hurdle they were valued as American style options using the Cox Rubenstein Binomial model.

The expected life used in the model has been based on the assumption that employees remain with the Company for the duration of the exercise period and exercise the options when financially optimal. This is not necessarily indicative of exercise patterns that may occur.

Historical volatility has been used for the purposes of the valuation. Expected volatility is based on the historical share price volatility using three years of traded share price data. As a result it reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the outcome.

Dividend yield was assumed to be nil on the basis that no dividends had been declared prior to the grant date.

**(ii) Balance at the end of the period**

The share options outstanding at September 30, 2016 had an exercise price of between A$1.52 and A$3.94 and a weighted average remaining life of 1.51 years.

### (b) Performance share rights plan

The Managing Director and certain employees of the Group, as designated by the Board of Directors, have been granted rights to common shares of the Company, OceanaGold Corporation. Each right entitles the holder to one common share upon exercise. The rights were issued for nil consideration and are subject to market-based performance conditions (based on various Total Shareholder Return (TSR) hurdles) and continuity of employment. The rights cannot be transferred without the Company's prior approval and right holders are not entitled to dividends on unvested rights.

**(i) Performance share rights plan movements**

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

## 19 STOCK-BASED COMPENSATION (CONTINUED)

### (b) Performance share rights plan (continued)

*WAEP = weighted average exercise price*

| . | *September 30, 2016* | | *December 31, 2015* | |
|---|---|---|---|---|
| | **No.** | **WAEP** | **No.** | **WAEP** |
| Outstanding at the start of the period | 5,168,629 | A$0.00 | 4,953,687 | A$0.00 |
| Granted | 5,203,602 | A$0.00 | 1,992,861 | A$0.00 |
| Forfeited | (77,482) | A$0.00 | (65,221) | A$0.00 |
| Exercised | (1,460,156) | A$0.00 | (1,712,698) | A$0.00 |
| **Balance at the end of the period** | **8,834,593** | **A$0.00** | **5,168,629** | **A$0.00** |
| **Exercisable at the end of the period** | **-** | **-** | **-** | **-** |

Rights granted were priced using Monte Carlo simulation (using the Black-Scholes framework) to model the Company's future price and TSR performance against the comparator group at vesting date. Monte Carlo simulation is a procedure for randomly sampling changes in market variables in order to value derivatives. This simulation models the TSR of the comparator group jointly by taking into account the historical correlation of the returns of securities in the comparator group.

The expected life used in the model has been based on the assumption that right holders will act in a manner that is financially optimal and will remain with the Company for the duration of the rights' life.

Historical volatility has been used for the purposes of the valuation. Expected volatility is a measure of the amount by which a price is expected to fluctuate during a period and is measured as the annualised standard deviation of the continuously compounded rates of return on the share over a period of time. The expected volatility of the Company and each Company in the comparator group has been calculated using three years of historical price data. As a result it reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the outcome.

Dividend yield had been assumed to be 1% for grants in 2015. For the grant in 2016, a dividend yield of 1.53% has been assumed in the valuation.

#### (ii) Balance at end of the period

The performance share rights outstanding at September 30, 2016 had an exercise price of A$0.00 and a weighted average remaining life of 1.88 years.

### (c) Stock options

An evergreen incentive stock option plan was introduced into the Group following the acquisition of Pacific Rim. The plan was adopted by Pacific Rim on August 29, 2006, whereby the maximum number of shares reserved for grant to Eligible Parties under the 2006 Plan is equal to 10% of the number of shares outstanding at the time of the grant. This plan remains a Pacific Rim plan but the options are exercisable into OceanaGold shares at the ratio of 0.04006 for every Pacific Rim option in accordance with the Plan of Arrangement.

#### (i) Evergreen incentive stock option plan movements

The following table reconciles the outstanding rights granted under the evergreen incentive stock option plan at the beginning and the end of the period:

| . | *September 30, 2016* | | *December 31, 2015* | |
|---|---|---|---|---|
| | **No.** | **WAEP** | **No.** | **WAEP** |
| Outstanding at the start of the period | 1,325,000 | C$0.14 | 3,795,000 | C$0.17 |
| Expired | (290,000) | C$0.17 | (2,470,000) | C$0.19 |
| Exercised | (350,000) | C$0.16 | - | - |
| **Balance at the end of the period** | **685,000** | **C$0.11** | **1,325,000** | **C$0.14** |
| **Exercisable at the end of the period** | **685,000** | **C$0.11** | **1,325,000** | **C$0.14** |

## 19 STOCK-BASED COMPENSATION (CONTINUED)

### (c) Stock options (continued)

Options granted were valued using the Black-Scholes option pricing model. For employees, the Company recognises stock-based compensation expense based on the estimated fair value of the options on the date of the grant. For non-employees, the fair value of the options is based on the fair value of services received and recognised at the time of services rendered. The fair value of the options is recognised over the vesting period of the options granted as stock-based compensation expense and corresponding adjustment to contributed surplus. The number of options expected to vest is periodically reviewed and the estimated option forfeiture rate is adjusted as required throughout the life of the option. Upon exercise these amounts are transferred to share capital.

The expected life of the option is based on the historical activity of each specific class of option holder which includes directors, officers, employees and consultants.

Historical volatility has been used for the purposes of the valuation. Expected volatility is a measure of the amount by which a price is expected to fluctuate during a period and is measured as the annualised standard deviation of the continuously compounded rates of return on the share over a period of time. The expected volatility of Pacific Rim has been calculated using historical price data based on the estimated life of the options. As a result it reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the outcome.

Dividend yield had been assumed to be nil on the basis that no dividends had been declared prior to the grant date.

The risk-free rate for the expected term of the option was based on the Government of Canada yield curve in effect at the time of the grant.

**(ii) Balance at the end of the period**

The evergreen incentive stock options outstanding at September 30, 2016 had an exercise price of C$0.11 and a weighted average remaining life of 1.01 years.

### (d) Replacement Stock Option plan

A Replacement Stock Option plan was introduced into the Group following the acquisition of Romarco Minerals Inc. Under the Plan of Arrangement, each outstanding Romarco option was exchanged for a Replacement Option from OceanaGold. The number of OceanaGold shares equal to 0.241 multiplied by the number of Romarco shares subject to such Romarco option. Accordingly, 9,646,500 Replacement Options were granted and vested on October 1, 2015.

**(i) Replacement Stock Option plan movements**

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

| . | *September 30, 2016* | | *December 31, 2015* | |
|---|---|---|---|---|
| | **No.** | **WAEP** | **No.** | **WAEP** |
| Outstanding at the start of the period | 9,133,645 | C$3.10 | - | - |
| Granted | - | - | 9,646,500 | C$3.11 |
| Exercised | (4,504,033) | C$2.64 | (402,947) | C$2.07 |
| Expired | (933,031) | C$7.32 | (109,908) | C$7.92 |
| **Balance at the end of the period** | **3,696,581** | **C$2.59** | **9,133,645** | **C$3.10** |
| **Exercisable at the end of the period** | **3,696,581** | **C$2.59** | **9,133,645** | **C$3.10** |

Options granted were valued using the Black-Scholes option pricing model. For employees, the Company recognises stock-based compensation expense based on the estimated fair value of the options on the date of the grant. The fair value of the options is recognised over the vesting period of the options granted as stock-based compensation expense and corresponding adjustment to contributed surplus. The number of options expected to vest is periodically reviewed and the estimated option forfeiture rate is adjusted as required throughout the life of the option. Upon exercise these amounts are transferred to share capital.

Historical volatility has been used for the purposes of the valuation. Expected volatility is a measure of the amount by which a price is expected to fluctuate during a period and is measured as the annualised standard deviation of the continuously compounded rates of return on the share over a period of time. The expected volatility of the Company has been calculated using historical price data based on the estimated life of the options. As a result it reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the outcome.

Dividend yield had been assumed to be nil on the basis that no dividends had been declared previously.

The risk-free rate for the expected term of the option was based on the Government of Canada yield curve in effect at the time of the grant.

## 19 STOCK-BASED COMPENSATION (CONTINUED)

**(d) Replacement Stock Option plan (continued)**

**(ii) Balance at the end of the period**

The share options outstanding at September 30, 2016 had an exercise price of between C$1.96 and C$4.07 and a weighted average remaining life of 1.91 years.

**(e) Deferred Unit Plan ("DUP")**

The Company introduced and adopted the cash based Deferred Unit Plan for Non-Executive Directors. The DUP provides that participants are issued notional units that are economically equivalent to owning Common Shares of the Company. Each Deferred Unit has an initial value equal to the value of a Common Share at the time of grant. No equity in the Company is issued pursuant to the cash based DUP.

The Board grants Deferred Units in the value of US$50,000 on an annual basis to each of the Non-Executive Directors. The Deferred Units are granted on the first trading day on the TSX of each calendar year. In connection with the appointment of Diane R. Garrett to the Board of the Company, Ms. Garrett was also granted 81,521 Deferred Units as a one-off commencement grant.

Whenever cash dividends are paid on the Common Shares, additional Deferred Units are credited to the holders of Deferred Units, calculated by dividing the total cash dividends that would have been paid by the market value on the trading day immediately after the record date for the dividend.

The units will automatically vest and are redeemable into cash upon the earlier of (a) the three years anniversary of the grant; and (b) the termination date of the Non-Executive Directors.

The aggregate number of Deferred Units that may be granted to the Non-Executive Directors and remain outstanding under the DUP shall not at any time, when taken together with Common Shares reserved for issuance pursuant to all of the Company's security based compensation arrangements then either in effect or proposed, result in the aggregate number of Deferred Units and Common Shares issuable or reserved for issuance to Non-Executive Directors at any time exceeding 1% of the issued and outstanding Common Shares of the Company.

**(i) Deferred unit movements**

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

| . | *September 30, 2016* |
|---|---|
| | **No.** |
| Outstanding at the start of the period | - |
| Granted | 255,785 |
| **Balance at the end of the period** | **255,785** |
| **Exercisable at the end of the period** | **-** |

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 September 30, 2016, the fair value of the units was $0.8 million and $0.2 million was expensed.

## 20 CONTRIBUTED SURPLUS MOVEMENT

| | September 30 2016 $'000 | December 31 2015 $'000 |
|---|---|---|
| Balance at the beginning of the period | 41,954 | 41,388 |
| Share based compensation expense | 3,626 | 3,223 |
| Forfeited options | (33) | (33) |
| Exercised options | (3,644) | (2,624) |
| Balance at the end of period | 41,903 | 41,954 |

| | September 30 2016 $'000 | December 31 2015 $'000 |
|---|---|---|
| **Contributed surplus** | | |
| Employee stock based compensation | 11,860 | 11,911 |
| Shareholder options (lapsed on January 1, 2009) | 18,083 | 18,083 |
| Equity portion of convertible notes | 11,960 | 11,960 |
| | 41,903 | 41,954 |

## 21 OTHER RESERVES

| | September 30 2016 $'000 | December 31 2015 $'000 |
|---|---|---|
| Foreign currency translation (1) | 28,244 | 15,946 |
| Available-for-sale equity reserve (2) | 89,914 | 5,703 |
| Total other reserves | 118,158 | 21,649 |

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.

2 *Available-for-sale equity reserve*
The available-for-sale equity reserve is used to record fair value differences on available-for-sale equity instruments. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss.

## 22 COMMITMENTS

**Capital commitments**

At September 30, 2016, the Group has commitments of $16.6 million (December 31, 2015: $9.8 million), principally relating to the purchase of property, plant and equipment and the development of mining assets mainly in Didipio and Haile.

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

| | September 30 2016 $'000 | December 31 2015 $'000 |
|---|---|---|
| Within one year: | | |
| - purchase of property, plant and equipment | 11,469 | 2,905 |
| - development of mining assets | 5,101 | 6,906 |
| | 16,570 | 9,811 |

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

## 22 COMMITMENTS (CONTINUED)

### Other commitments

The Didipio Project is held under a Financial or Technical Assistance Agreement ("FTAA") granted by the Philippines Government in 1994. 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 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.

## 23 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).

| **September 30, 2016** | **Level 1** $'000 | **Level 2** $'000 | **Level 3** $'000 | **Total** $'000 |
|---|---|---|---|---|
| *Recurring measurements* | | | | |
| Derivatives embedded in accounts receivable | - | (509) | - | (509) |
| Available-for-sale financial assets | 117,978 | - | - | 117,978 |
| Fuel swaps | - | 4,743 | - | 4,743 |
| Total assets | 117,978 | 4,234 | - | 122,212 |
| | | | | |
| Gold put/call options | - | 11,786 | - | 11,786 |
| Total liabilities | - | 11,786 | - | 11,786 |

| **December 31, 2015** | **Level 1** $'000 | **Level 2** $'000 | **Level 3** $'000 | **Total** $'000 |
|---|---|---|---|---|
| *Recurring measurements* | | | | |
| Derivatives embedded in accounts receivable | - | 168 | - | 168 |
| Available-for-sale financial assets | 17,584 | - | - | 17,584 |
| Gold put/call options | - | 5,777 | - | 5,777 |
| Investments | - | - | 2,062 | 2,062 |
| Total assets | 17,584 | 5,945 | 2,062 | 25,591 |

## 24 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:

## 24 EARNINGS PER SHARE (CONTINUED)

| | *Three months ended* | | *Nine months ended* | |
|---|---|---|---|---|
| | *September 30 2016 $'000* | *September 30 2015 $'000* | *September 30 2016 $'000* | *September 30 2015 $'000* |
| *Numerator:* | | | | |
| Net income/(loss) attributable to equity holders from continuing operations (used in calculation of basic and diluted earnings per share) | 30,693 | 6,924 | 93,879 | 30,418 |
| | *Thousands* | *Thousands* | *Thousands* | *Thousands* |
| *Denominator:* | | | | |
| Weighted average number of common shares (used in calculation of basic earnings per share) | 610,493 | 303,677 | 608,415 | 303,152 |
| Effect of dilution: | | | | |
| Share options | 14,448 | 6,205 | 13,369 | 5,918 |
| Adjusted weighted average number of common shares (used in calculation of diluted earnings per share) | 624,941 | 309,882 | 621,784 | 309,070 |
| **Net earnings/(loss) per share:** | | | | |
| - Basic | $0.05 | $0.02 | $0.15 | $0.10 |
| - Diluted | $0.05 | $0.02 | $0.15 | $0.10 |

## 25 RELATED PARTIES

There were no significant related party transactions during the period.

## 26 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 and the Company expects to be informed of the substitute party in the arbitration proceedings in due course. 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 before proceeding with this matter.

(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 Organisations (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 a 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) In 2009, Pac Rim Cayman LLC, now a wholly owned subsidiary of the Company, filed an arbitration claim with the International Centre for the Settlement of Investment Disputes (ICSID) in Washington D.C. seeking monetary compensation from the Government of El Salvador ("GOES"). This followed the passive refusal of the GOES to issue a decision on Pacific Rim's application for environmental and mining permits for El Dorado. On October 14, 2016 the ICSID Tribunal ruled in favour of the GOES, and granted an award of US$8 million to the GOES in legal fees and costs. The Company is currently reviewing the ICSID decision as well as its options in El Salvador going forward. If the Company is unsuccessful in further engaging with the GOES, or is impacted by other factors beyond the control of the Company, this would adversely impact its activities in El Salvador and could result in impairment. At September 30, 2016, the carrying value of the mining assets in Pacific Rim was $17.7 million.

## 26 CONTINGENCIES (CONTINUED)

(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 $300.0 million banking facilities (Note 15). At September 30, 2016 the total outstanding balance under these facilities was $242.8 million (December 31, 2015: $182.8 million). Associated with this guarantee are certain financial compliance undertakings by the Group, including gearing covenants which the Group complied with at September 30, 2016.

(f) The Group has provided a guarantee in respect of a capital lease agreement for certain mobile mining equipment entered into by a controlled entity. At September 30, 2016 the outstanding rental obligations under the capital lease are $55.4 million (December 31, 2015: $17.2 million). Associated with this guarantee are certain financial compliance undertakings by the Group, including gearing covenants which the Group complied with at September 30, 2016.

(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 $34.1 million (December 31, 2015: $30 million).

(h) The Group has provided a cash operating bond to the New Zealand Department of Conservation of $0.4 million (December 31, 2015: $0.3 million) which is refundable at the end of the Globe Progress mine. This amount is 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 $34.3 million (December 31, 2015: $22.9 million).

(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 $30.1 million and the Company has provided the surety companies with cash collateral of $6.0 million (20% of the $30.1 million surety bond). In addition, the Company has paid $0.2 million in trust funding.

The remaining estimated financial assurance of $34.7 million will be paid over the life of the mine with the next financial assurance payment anticipated to occur in 2017. 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 release of financial assurance.

## 27 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the quarter end, on October 14, 2016, the Company was advised that the arbitration tribunal constituted by the World Bank's International Centre for Settlement of Investment Disputes ("ICSID") has ruled in favour of the Government of El Salvador in its disputes with an indirect subsidiary of the Company, Pac Rim Cayman LLC. ICSID granted an award of $8 million to the Government of El Salvador to cover its legal fees and costs. This has been determined to be as a non-adjusting event.

In October, the Company received a letter from the Department of Environment and Natural Resources ("DENR") along with the Didipio Audit Report ("Audit Report") that outlines the findings and recommendations from the recently completed audit of the Didipio Operations. The vast majority of recommendations relate to the need to further expand the Company's Information, Education, and Communication program to address multiple stakeholders' needs. The Company had seven days to address the findings and recommendations contained in the Audit Report. To date, the Didipio operations continue without interruption. On October 24, 2016, the Company submitted its response and had not heard back at the date of this report.

Other than the matters noted above, there have been no subsequent events that have arisen since the end of the financial period to the date of this report.