



## **Mandalay Resources Corporation Announces Fourth Quarter and Full-Year 2016 Financial Results, Quarterly Dividend, and Updated Guidance for 2017**

TORONTO, ON, February 16, 2017 -- Mandalay Resources Corporation ("Mandalay" or the "Company") (TSX: MND) today announced revenue of \$32.4 million, adjusted EBITDA of negative \$2.3 million and consolidated net loss before special items of \$10.8 million, or \$0.02 loss per share before special items, for the fourth quarter of 2016.

For the full year 2016, Mandalay generated revenue of \$185.5 million, adjusted EBITDA of \$50.9 million and adjusted net loss before special items of \$2.5 million. After special items totaling \$17.7 million (consisting of a \$10 million impairment charge at Cerro Bayo, a \$4.2 million of mining interest write-off, a \$4.8 million deferred tax asset write-off at Cerro Bayo, a \$1.4 million tax recovery adjustment at Costerfield and \$0.1 million for tax expense impact on royalty purchase capitalization), the Company reported consolidated net loss for the year of \$20.2 million and \$0.05 loss per share. Mandalay ended the year with \$66.9 million in cash and cash equivalents.

In accordance with the Company's dividend policy, Mandalay's Board of Directors declared a quarterly dividend of \$1.9 million (6% of the trailing quarter's gross revenue), or \$0.0043 per share (CDN\$0.0057 per share), payable on March 9, 2017, to shareholders of record as of February 27, 2017.

The Company's audited consolidated financial results for the year ended December 31, 2016, together with its Management's Discussion and Analysis ("MD&A") for the corresponding period, can be accessed under the Company's profile on [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.mandalayresources.com](http://www.mandalayresources.com). All currency references in this press release are in U.S. dollars except as otherwise indicated.

Commenting on 2016 results, Dr. Mark Sander, President and CEO of Mandalay, noted, "2016 was a challenging year for the Company. Mandalay generated 5% lower revenue in 2016 than in 2015 due to expected grade-related lower production at Costerfield, offset by expected higher production at Björkdal, which continues to demonstrate production improvements. Both of these impacts were exceeded in significance by lower production from Cerro Bayo due to the safety-related operational suspension in September and October. For the Company, cost of sales rose 7% year-on-year. The combination of higher costs and lower revenue led to a 25% decline in adjusted EBITDA and follow-on reduced net income before special items."

Dr. Sander continued, "Looking at the three operations in detail, we are pleased with where we stand at Björkdal entering 2017. Year-over-year, our grade control program generated higher average grade to the plant in 2016 than in 2015 (1.35 grams per tonne gold versus 1.22 grams per tonne), which led to almost 10% higher production in 2016 than in the previous year (48,143 saleable ounces versus 44,039 ounces). Year-over-year, cash costs increased from \$884 per saleable ounce produced to \$954 per ounce as a result of increasing underground operating development rate and open pit operating stripping to transition into a long-term mine plan that

delivers gold to the plant at a higher rate, and as a result of incurring freight, treatment, and refining cost for 10% more product.

"At Björkdal, we expect continuing improvements in production and reductions in cash cost going forward in 2017 for three fundamental reasons. First, we are continuously improving our grade control program to improve grade and reduce costs now that the concept is proved. As transition to the new mine plan is completed, we expect to produce more gold, which will more than offset the additional cost of increased development rates in the underground mine and stripping rates in the open pit. Second, Phase 1 of our low-grade ore sorting program, consisting of crushing and screening material between 0.35 and 1.00 grams per tonne gold from the active mine and historic stockpiles, was implemented in early January for zero capital expenditure. Indications from the first weeks of operation are that this process upgrades the less than 50 millimeter-sized fraction from an original bulk grade of 0.5 to 0.6 grams per tonne to 0.85 to 0.95 grams per tonne. This upgrade is expected to have a large impact on increasing average mill head grades going forward. The coarse material is being stockpiled for later optical sorting and upgrading once the sorting plant is constructed. Finally, construction of the flotation expansion, expected to improve recovery by approximately 1.7%, continues on time and on budget toward commissioning later this year."

Dr. Sander continued, "Costerfield produced slightly fewer saleable ounces of gold equivalent in 2016 than 2015 due to the anticipated lower grades from the mine. Mining and processing costs per tonne were well-controlled year-on-year, while we mined and processed more tonnes in 2016 than 2015. The lower head grades resulted in less metal produced and consequently higher unit cash cost per ounce. 2016 was a low-capital year for Costerfield, therefore Costerfield's adjusted EBITDA translated into significant positive free cash flow for the Company. Going forward in 2017, we plan to restart capital development to access new lodes in 2017 and construct the next phase tailings dam to support the next several years of production.

"At Cerro Bayo, operations have recovered from the safety-related interruptions in September and October and development has returned to planned rates. As previously disclosed (see press release of January 27, 2017) detailed development sampling has refined our understanding of gold and silver distribution in the Delia SE vein at Cerro Bayo. While the limits of ore grades at shallow development levels of the vein approximated the drilling-based block model, the deepest three levels have exposed more internal waste in the mineralized shoot than was previously expected. This finding is being investigated as part of the updated Mineral Resources and Reserves estimate for year-end 2016, expected to be released later in the first quarter of 2017. At this time, the impact of the reserve overestimation appears largely restricted to the Delia SE mine and is not expected to affect either the Coyita SE or Marcela vein reserves. The Coyita SE vein has much better grade continuity in the drilling and the Marcela vein has historic development sampling that gives us greater confidence in the estimates there. Although the reserve update is still a work-in-progress, we believe it is prudent to write off Cerro Bayo's mining interest by \$10.0 million to account for the expected decline in reserves. This write-off has been treated as a special item in the fourth quarter. Due to recent changes in Chilean tax rules prohibiting carrying back of tax losses to offset against profits of prior years, we have also written-off the Cerro Bayo deferred income tax asset of \$4.8 million related to the rehabilitation provision at the mine."

"The impact on the 2017 production plan at Cerro Bayo has been fully evaluated and is the basis for the reduced production guidance for Cerro Bayo given later in this press release. In responding to these challenges, we have implemented an approximate 10% reduction in headcount. This reduction was focused on reducing the amount of exploration drilling consistent with our

November 2, 2016, guidance, and reducing operating shifts in the processing plant to balance mill throughput with the reduced mine output now expected in 2017. As well, optimization of the Coyita development plan in 2017 has led to reduced capital and faster access to higher-grade ore.”

Dr. Sander concluded, “Mandalay is committed as always to delivering strong shareholder returns through dividends and increasing net asset value per share to its investors. I am heartened by our resilience as an organization—the speed at which Cerro Bayo regained its operating balance after the fatality-related interruption is inspiring. And, as the reality of the actual lower metal endowment encountered in Delia SE emerged late in the year, the velocity with which the staff re-estimated reserves, adjusted the Coyita plan to accelerate compensating production and reducing capital, and eliminated a shift in the plant to match the new plan for mine production to lower total spend is reassuring. Also impressive was the agility and innovation demonstrated at Björkdal in 2016 as the operation: substantially increased reserves; transitioned to an optimized Life of Mine plan (delivering increased grade to the plant with increasingly dependable rolling short-term production plans); completed our ore sorting investigation and implemented the Phase 1 crushing and screening for no capital; and launched construction of the flotation expansion. Meanwhile, all through 2016, Costerfield generated dependable performance, substantial free cash flow, and no surprises. I look forward to the performance the Mandalay team will deliver in 2017 and beyond.”

#### **Fourth Quarter and Full-Year 2016 Financial Highlights**

The following table summarizes the Company’s financial results for the three months and year ended December 31, 2016 and 2015:

	<b>Three months Ended December 31, 2016</b>	<b>Three months Ended December 31, 2015</b>	<b>Year Ended December 31, 2016</b>	<b>Year Ended December 31, 2015</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Revenue	32,391	43,646	185,543	194,500
Adjusted EBITDA*	(2,321)	13,997	50,865	67,989
Income from mine operations before depreciation and depletion	(421)	17,409	59,989	77,408
Adjusted net income before special items*	(10,768)	343	(2,526)	18,985
Consolidated net income	(25,542)	(3,105)	(20,233)	14,665
Cash capex	11,637	12,186	42,535	50,552
Total assets	350,232	346,573	350,232	346,573
Total liabilities	147,195	138,879	147,195	138,879
Adjusted net income/share*	\$(0.02)	\$0.00	\$(0.01)	\$0.05
Consol. net income/share	\$(0.06)	\$(0.01)	\$(0.05)	\$0.04

\* Adjusted EBITDA, adjusted net income before special items and adjusted net income per share are non-IFRS measures. See “Non-IFRS Measures” at the end of this press release.

During 2016, Mandalay produced 13% fewer ounces of gold equivalent versus 2015. At the same time, average gold and silver prices rose 8% and 9% year-over-year, respectively, while the average antimony price fell 10% year-over-year. The net effect is that Mandalay’s revenue declined 5% from \$194.5 million in 2015 to \$185.5 million in 2016.

Total cost of sales across the Company rose \$8.5 million (7%) from \$117.1 million in 2015 to \$125.6 million in 2016. Approximately \$7.0 million of increased cost of sales was incurred at Costerfield, where more tonnes at lower grade were mined and processed to produce fewer gold equivalent ounces than in the year-ago period. Per tonne mining and milling costs at Costerfield remained nearly constant through this expected decline in ore grades. Approximately \$10.9 million of increased cost of sales were incurred at Björkdal, where the rates of both operating capital development and operating open pit waste removal were increased in order to increase the rate of gold feed to the plant as Mandalay discarded below cut-off grade material in its grade control program. As well, the approximately 10% increase in production at Björkdal is associated with proportionately increased product freight, treatment, and refining costs. Total cost of sales at Cerro Bayo declined \$6.9 million in 2016 relative to 2015 as cost control measures were undertaken to offset the reduction in mined ore volumes and concentrate freight, treatment and refining charges declined. Consolidated administrative costs remained virtually constant, declining slightly to \$9.1 million in 2016 from \$9.2 million in 2015.

When the lower 2016 revenue is combined with the increased total cost of sales, the result is adjusted EBITDA in 2016 of \$50.9 million, reduced from \$68.0 million 2015. Full-year consolidated net income swung to a \$20.2 million loss from 2015 net income of \$14.7 million. Included in the consolidated net income numbers are: special items (\$17.7 million in 2016 versus \$4.3 million in 2015); normal course write-offs of unsuccessful exploration expenditure (\$3.7 million in 2016 versus \$2.8 million in 2015); mark-to-market adjustments of derivative instruments (loss of \$0.3 million in 2016 versus gain of \$1.5 million in 2015); and share-based compensation expense (\$0.9 million in 2016 versus \$0.9 million in 2015).

### **Production, Cost and Capital Expenditure Guidance for 2017**

Mandalay is providing revised guidance for production, cost, and capital expenditure in 2017. The principal differences between revised and original guidance originate in adjustments to the 2017 plan at Cerro Bayo in response to the anticipated declines in resource and reserve along the Delia SE vein, the planned source of a large part of 2017 production. Guidance for production of saleable gold and silver ounces from Cerro Bayo has significantly declined relative to original guidance and unit costs have significantly risen. Production and cost guidance for the other sites is nearly unchanged. To partially compensate for the reduced adjusted EBITDA, Mandalay has reduced capital spending plans across all sites with minimal production and operating cost impacts.

		<b>Total</b>	<b>Cerro Bayo</b>	<b>Costerfield</b>	<b>Björkdal</b>	<b>Challacollo</b>
Saleable Au produced	oz '000	<b>94-111</b>	12-16	30-37	52-58	
Saleable Ag produced	oz mill.	<b>1.7-2.0</b>	1.7-2.0			
Saleable Sb produced	t '000	<b>3.2-3.7</b>		3.2-3.7		
Total Saleable Au Eq produced*	oz '000	<b>138-163</b>				
Cash Cost per Au Eq. oz*	\$/oz	<b>860-950</b>	920-1,120	690-780	820-910	
Capital expenditure**	USD mill.	<b>48-61</b>	18-22	9-13	20-25	1
Exploration	USD mill.	<b>7</b>	2	3	2	

\*Assumes full-year 2017 prices: Au \$1,185/oz, Ag \$16.72/oz, Sb \$7,701/t

\*\* Total cash cost per Au Eq. oz includes corporate overhead spending. Cash cost per AU Eq. oz is a non-IFRS measures. See "Non-IFRS Measures" at the end of this press release.

In comparison, the original guidance released on November 2, 2016, included:

		<b>Total</b>	<b>Cerro Bayo</b>	<b>Costerfield</b>	<b>Björkdal</b>	<b>Challacollo</b>
Saleable Au produced	oz '000	<b>104-121</b>	22-28	30-35	52-58	
Saleable Ag produced	oz mill.	<b>2.2-2.5</b>	2.2-2.5			
Saleable Sb produced	t '000	<b>3.2-3.7</b>		3.2-3.7		
Total Saleable Au Eq produced*	oz '000	<b>155-175</b>				
Cash Cost per Au Eq. oz*	\$/oz	<b>820-890</b>	720-780	710-780	860-910	
Capital expenditure**	USD mill.	<b>58-66</b>	21-24	12-14	24-27	1
Exploration	USD mill.	<b>7</b>	2	3	3	

\*Assumes full-year 2017 prices: Au \$1,258/oz, Ag \$17.00/oz, Sb \$6,505/t.

\*\* Total cash cost per Au Eq. oz includes corporate overhead spending. Cash cost per AU Eq. oz is a non-IFRS measures. See "Non-IFRS Measures" at the end of this press release.

## **Fourth Quarter and Full-year 2016 Operational Highlights**

The table below summarizes the Company's capital expenditures and operational unit costs for the three and twelve months ended December 31, 2016 and 2015:

		<b>Three months ended Dec. 31, 2016 \$'000</b>	<b>Three months ended Dec. 31, 2015 \$'000</b>	<b>Year ended Dec. 31, 2016 \$'000</b>	<b>Year ended Dec. 31, 2015 \$'000</b>
<b>Costerfield</b>					
	Gold produced (oz)	7,523	11,528	41,310	42,491
	Antimony produced (t)	792	937	3,597	3,712
	Gold equivalent produced (oz)	12,403	16,335	60,076	65,675
	Cash cost* per oz gold equivalent produced	\$837	\$540	\$640	\$559
	All-in cost* per oz gold equivalent produced	\$1,096	\$760	\$890	\$773
	Underground capital devel. & open pit prestrip	Nil	Nil	Nil	7,699
	Capital purchases	1,033	1,339	3,407	6,075
	Capital exploration	1,010	1,000	4,551	2,434
<b>Cerro Bayo</b>					
	Silver produced (oz)	365,214	725,243	1,731,031	2,545,984
	Gold produced (oz)	2,807	6,901	13,792	22,572
	Cash cost* per oz silver net byproduct credit	\$17.48	\$4.58	\$12.29	\$7.50
	All-in cost* per oz silver net byproduct credit	\$25.99	\$11.75	\$20.87	\$14.69
	Underground capital devel. & open pit prestrip	2,014	2,203	8,260	8,575
	Capital purchases	260	1,272	3,292	4,992
	Capital exploration	762	866	3,040	2,987
<b>Björkdal</b>					
	Gold produced (oz)	10,934	10,465	48,143	44,039
	Cash cost* per oz gold produced	\$1,160	\$940	\$956	\$884
	All-in cost* per oz gold produced	\$1,374	\$1,224	\$1,190	\$1,128
	Underground capital devel. & open pit prestrip	2,144	3,014	9,611	7,948
	Capital purchases	2,000	758	4,917	4,188
	Capital exploration	948	1,060	3,980	3,464
<b>Consolidated</b>					
	Gold equivalent produced (oz)	31,293	43,393	145,497	166,679
	Average cash cost* per oz gold equivalent	\$1,101	\$751	\$899	\$764
	Average all-in cost* per oz gold equivalent	\$1,385	\$1,034	\$1,189	\$1,030
	Underground capital devel. & open pit prestrip	4,158	5,217	17,871	24,222
	Capital purchases	3,317	3,442	11,821	15,328
	Capital exploration	4,179	3,164	13,805	11,356

\*Cash cost and all-in cost are non-IFRS measures. See "Non-IFRS Measures" at the end of this press release.

#### Costerfield gold-antimony mine, Victoria, Australia

Costerfield continued its strong performance in the fourth quarter of 2016 as the Company continued to mine and process ore at low unit costs (38,943 tonnes mined at \$165 per tonne and 39,245 tonnes processed at \$38.47 per tonne). Metal production was lower and cash costs were higher than in the corresponding period of 2015 due to lower ore grades in the current quarter. Spending on sustaining capital continued at a low rate, as major capital programs necessary for the current life of mine plan were completed in the third quarter of 2015.

In the fourth quarter of 2016, Costerfield delivered cash operating costs and all-in costs of \$837 and \$1,096 per gold equivalent ounce, respectively. For the year, Costerfield delivered cash operating costs and all-in costs of \$640 and \$890 per gold equivalent ounce, respectively.

#### Björkdal gold mine, Sweden

In the fourth quarter of 2016, Björkdal delivered cash operating costs and all-in costs of \$1,160 and \$1,374 per gold ounce, respectively. For the year, Björkdal delivered cash operating costs and all-in costs of \$956 and \$1,190 per gold ounce, respectively.

The fourth full quarter of disciplined mining according to the Company's underground on-vein grade control protocols continued successfully. For nine of the total twelve months of grade-controlled mining practiced so far, on-vein development grades have averaged over 1.5 grams per tonne. As a result, the average milled head grade of 1.28 grams per tonne gold in the fourth quarter of 2016 is significantly higher than the 1.14 grams per tonne of gold in the fourth quarter of 2015.

Average mining costs rose from \$22.40 per tonne of ore fed to the plant in the fourth quarter of 2015 to \$24.86 per tonne in 2016. Mining cost per tonne increased in the underground mine as additional spending for grade control mapping, sampling and assaying and selective mining were incurred, as well as faster development spending to increase the rate of feed of high grade ore to the plant. Mining cost per tonne moved in the open pit was well controlled, while the increased stripping ratio led to higher cost per tonne of ore milled. Processing costs increased slightly from \$7.27 per tonne in the fourth quarter of 2015 to \$7.41 per tonne for the corresponding quarter in 2016, while the plant recovery remained consistent at approximately 86% of contained gold.

#### Cerro Bayo silver-gold mine, Patagonia, Chile

Fourth quarter 2016 results from Cerro Bayo were impacted by the fatality-related operating suspension as previously discussed. Lower production during the current quarter relative to the fourth quarter of 2015 of 365,214 ounces of silver versus 623,184 ounces resulted in higher cash cost of silver net of gold credits in the current quarter relative to the fourth quarter of 2015. The net outcome of the fewer ounces of silver produced impacted unit costs: mining costs increased to \$64.55 per tonne from \$46.96 per tonne in 2015 and processing costs increased to \$20.95 per tonne from \$19.94 per tonne in 2015.

In the fourth quarter of 2016, Cerro Bayo delivered cash operating costs and all-in costs of \$17.48 and \$25.99 per silver ounce net of gold credits, respectively. For the year, Cerro Bayo delivered cash operating costs and all-in costs of \$12.29 and \$20.87 per silver ounce net of gold credits, respectively.

### Challacollo, Chile

At the Challacollo silver-gold project in northern Chile, Mandalay has received its water exploration license and is preparing to drill and develop the water supply needed to support an eventual mining operation.

### La Quebrada

The La Quebrada copper silver project in central Chile, remained on care and maintenance throughout the period. Spending on care and maintenance at La Quebrada was less than \$0.1 million during the fourth quarter of 2016 and less than \$0.1 million during the full-year 2016. The corresponding amounts for the prior year quarter and full year was less than \$0.1 million and less than \$0.1 million, respectively.

### Lupin and Ulu

The Lupin gold mine in Nunavut, Canada, currently held for sale, remained on care and maintenance through the period. Spending on care and maintenance at Lupin and Ulu was \$0.7 million during the fourth quarter of 2016 and \$1.7 million during the full-year 2016. The corresponding amounts for the prior year quarter and full year were \$0.9 million and \$1.5 million, respectively. On October 31, 2016, the Company entered into a definitive agreement for the sale of the Lupin and Ulu gold projects to WPC Resources. On February 6, 2017, WPC Resources announced a private placement intended to finance the acquisition and advance the project. Mandalay currently expects the transaction to close in the first quarter of 2017.

### **Conference Call**

Mandalay's management will be hosting a conference call for investors and analysts on February 17, 2017 at 8:00 am (Toronto time).

Analysts and interested investors are invited to participate using the following dial-in numbers:

Participant Number:	(201) 689-8344
Participant Number (Toll free):	(877) 407-8290
Conference ID:	13655158

A replay of the conference call will be available until 23:59 pm (Toronto time), March 3, 2017 and can be accessed using the following dial-in number:

Encore Toll Free Dial-in Number:	(877) 660-6853
Encore ID:	13655158

### **For further information:**

Mark Sander  
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### **About Mandalay Resources Corporation:**

Mandalay Resources is a Canadian-based natural resource company with producing assets in Australia, Chile and Sweden, and a development project in Chile. The Company is focused on executing a roll-up strategy, creating critical mass by aggregating advanced or in-production gold, copper, silver and antimony projects in Australia, the Americas, and Europe to generate near-term cash flow and shareholder value.

### **Forward-Looking Statements**

*This news release contains "forward-looking statements" within the meaning of applicable securities laws, including guidance as to anticipated gold, silver, and antimony production and production costs in the future. Readers are cautioned not to place undue reliance on forward-looking statements. Actual results and developments may differ materially from those contemplated by these statements depending on, among other things, changes in commodity prices and general market and economic conditions. The factors identified above are not intended to represent a complete list of the factors that could affect Mandalay. A description of additional risks that could result in actual results and developments differing from those contemplated by forward-looking statements in this news release can be found under the heading "Risk Factors" in Mandalay's annual information form dated March 30, 2016, a copy of which is available under Mandalay's profile at [www.sedar.com](http://www.sedar.com). Although Mandalay has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.*

### **Non-IFRS Measures**

This news release may contain references to adjusted EBITDA, adjusted net income, cash cost per saleable ounce of gold equivalent produced, cash cost per saleable ounce of silver produced net of gold credits, site all-in cost per saleable ounce of gold equivalent produced, site all-in cost per saleable ounce of silver produced net of gold credits, all-in costs and cash capex, all of which are non-IFRS measures and do not have standardized meanings under IFRS. Therefore, these measures may not be comparable to similar measures presented by other issuers.

Management uses adjusted EBITDA as a measure of operating performance to assist in assessing the Company's ability to generate liquidity through operating cash flow to fund future working capital needs and to fund future capital expenditures, as well as to assist in comparing financial performance from period to period on a consistent basis. Management uses adjusted net income in order to facilitate an understanding of the Company's financial performance prior to the impact of non-recurring or special items. The Company believes that these measures are used by and are useful to investors and other users of the Company's financial statements in evaluating the Company's operating and cash performance because they allow for analysis of its financial results

without regard to special, non-cash and other non-core items, which can vary substantially from company to company and over different periods.

The Company defines adjusted EBITDA as income from mine operations, net of administration costs, and before interest, taxes, non-cash charges/(income), intercompany charges and finance costs. For a reconciliation between adjusted EBITDA and net income, please refer to page 14-15 of management's discussion and analysis of the Company's financial statements for the fourth quarter of 2016.

The Company defines cash capex as cash spent on mining interests, property, plant and equipment, and exploration as set out in the cash flow statement of the financial statements.

The Company defines free cash flow as a measure of the Corporation's ability to generate and manage liquidity. This term does not have a standard meaning and is intended to provide the reader with additional information. Free cash flow is included as the Company believes it provides management, investors and analysts insight in evaluating the Company's ability to generate cash flow. This measure is comparable to, but not necessarily indicative of cash flow from operating activities as per IFRS, therefore a reconciliation between these two measures is included on page 13 of the Company's MD&A for clarity.

For Costerfield, saleable equivalent gold ounces produced is calculated by adding to saleable gold ounces produced, the saleable antimony tonnes produced times the average antimony price in the period divided by the average gold price in the period. The total cash operating cost associated with the production of these saleable equivalent ounces produced in the period is then divided by the saleable equivalent gold ounces produced to yield the cash cost per saleable equivalent ounce produced. The cash cost excludes royalty expenses. Site all-in costs include total cash operating costs, royalty expense, accretion, depletion, depreciation and amortization. The site all-in cost is then divided by the saleable equivalent gold ounces produced to yield the site all-in cost per saleable equivalent ounce produced.

For Cerro Bayo, the cash cost per saleable silver ounce produced net of gold byproduct credit is calculated by deducting the gold credit (which equals saleable ounces gold produced times the realized gold price in the period) from the cash operating costs in the period and dividing the resultant number by the saleable silver ounces produced in the period. The cash cost excludes royalty expenses. The site all-in cost per saleable silver ounce produced net of gold byproduct credit is calculated by adding royalty expenses, accretion, depletion, depreciation, and amortization to the cash cost net of gold byproduct credit, dividing the resultant number by the saleable silver ounces produced in the period.

Also for Cerro Bayo, saleable equivalent gold ounces produced is calculated by adding to saleable gold ounces produced, the saleable silver ounces produced times the average silver price in the period divided by the average gold price in the period. The total cash operating cost associated with the production of these saleable equivalent ounces produced in the period is then divided by the saleable equivalent gold ounces produced to yield the cash cost per saleable equivalent ounce produced. The cash cost excludes royalty expenses. Site all-in costs include total cash operating costs, royalty expense, accretion, depletion, depreciation and amortization. The site all-in cost is then divided by the saleable equivalent gold ounces produced to yield the site all-in cost per saleable equivalent ounce produced.

For Björkdal, the total cash operating cost associated with the production of saleable gold ounces produced in the period is then divided by the saleable gold ounces produced to yield the cash cost per saleable gold ounce produced. The cash cost excludes royalty expenses. Site all-in costs include total cash operating costs, royalty expense, accretion, depletion, depreciation and amortization. The site all-in cost is then divided by the saleable gold ounces produced to yield the site all-in cost per saleable gold ounce produced

For the Company as a whole, cash cost per saleable gold equivalent ounce is calculated by summing the gold equivalent ounces produced by each site and dividing the total by the sum of cash operating costs at the sites plus corporate overhead spending.